

**CALIFORNIA DEPARTMENT OF
CHILD SUPPORT SERVICES**



MAY 2006 REVISE

FOR THE

SFY 2006-07

LOCAL ASSISTANCE

ADMINISTRATIVE COSTS

AND COLLECTIONS

ESTIMATES

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

P.O. Box 419064, Rancho Cordova, CA 95741-9064



TO: RECIPIENTS OF THE MAY 2006 REVISION OF THE
2006-07 GOVERNOR'S BUDGET

FROM: LINDA ADAMS, Budget Officer
Financial Planning Branch

DATE: May 12, 2006

SUBJECT: LOCAL ASSISTANCE ESTIMATES

This memorandum transmits the 2006 May Revision local assistance estimates for the 2006-07 Governor's Budget for the California Department of Child Support Services (DCSS).

The 2006 May Revision updates DCSS local assistance budget for state fiscal year (SFY) 2005-06 and 2006-07. It provides the estimates of the administrative costs for the local child support agencies, as well as the detailed methodology for each estimate. The total administrative costs for local assistance are estimated to be \$1.27 billion (\$469 million State General Fund (SGF)) for SFY 2005-06 and \$1.32 billion (\$506 million SGF) for SFY 2006-07.

The estimate for the child support collections and miscellaneous revenues for the SFYs 2005-06 and 2006-07 were also updated. The total distributed child support collections and revenues are projected to be \$2.38 billion (\$300.9 million, SGF) for SFY 2005-06, and \$2.46 billion (\$300.0 million, SGF) for SFY 2006-07.

The May Revision binder includes an Auxiliary Chart section that consists of charts reflecting historical data on child support collections, federal performance measures, and the federal alternative penalty. For convenience, a list of acronyms has been included under the Premises Methodologies section.

The material contained in the May 2006 Revision binder will also be available on the DCSS website: <http://www.childsup.ca.gov>. Should you have any questions, please contact the Financial Planning Branch at (916) 464-5150.

cc: Cher Woehl, Deputy Director, Administrative Services Division
Kenji Okimoto, Assistant Deputy, Financial Services Branch

**CHILD SUPPORT PROGRAM
COST COMPARISONS**

TABLE OF CONTENTS

CURRENT YEAR COMPARISONS:

Table 1.	2005-06 May Revise to 2005-06 Appropriation.....	May CY – App CY
Table 2.	2005-06 May Revise to 2005-06 November Estimate.....	May CY – Nov CY

BUDGET YEAR COMPARISONS:

Table 3.	2006-07 May Revise to 2005-06 May Revise.....	Gov BY – App CY
Table 4.	2006-07 May Revise to 2006-07 Governor's Budget	Gov BY – Nov CY

TABLE NUMBER 1
COST COMPARISON OF
2005-06 MAY REVISE TO 2005-06 APPROPRIATION
(in thousands)

Budget Item 5175-101	2005-06 MAY REVISE					2005-06 APPROPRIATION					DIFFERENCES				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 CHILD SUPPORT PROGRAM COSTS	1,265,828	786,776	469,052	10,000	0	1,277,937	797,288	470,649	10,000	0	-12,109	-10,512	-1,597	0	0
a Local Assistance Child Support Services *	779,737	513,947	255,790	10,000	0	764,569	501,920	252,649	10,000	0	15,168	12,027	3,141	0	0
b Child Support Collections Recovery Fund *	272,829	272,829	0	0	0	295,368	295,368	0	0	0	-22,539	-22,539	0	0	0
c Alternative Federal Penalty *	213,262	0	213,262	0	0	218,000	0	218,000	0	0	-4,738	0	-4,738	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,093,748	623,233	460,515	10,000	0	1,100,145	627,636	462,509	10,000	0	-6,397	-4,403	-1,994	0	0
3 Local Child Support Agency Basic Costs	870,086	618,160	241,926	10,000	0	870,086	621,438	238,648	10,000	0	0	-3,278	3,278	0	0
a Administration	739,658	532,252	197,406	10,000	0	739,658	535,530	194,128	10,000	0	0	-3,278	3,278	0	0
b EDP M&O	130,428	85,908	44,520	0	0	130,428	85,908	44,520	0	0	0	0	0	0	0
c Federal Performance Basic Incentives *	0	44,014	-44,014	0	0	0	47,292	-47,292	0	0	0	-3,278	3,278	0	0
4 SDU Implementation LCSA Workload	2,234	1,474	760	0	0	2,234	1,474	760	0	0	0	0	0	0	0
5 EDP Conversion and Enhancements	4,231	0	4,231	0	0	5,890	0	5,890	0	0	-1,659	0	-1,659	0	0
6 Alternative Federal Penalty	213,262	0	213,262	0	0	218,000	0	218,000	0	0	-4,738	0	-4,738	0	0
7 Child Support Collection Enhancements	3,935	3,599	336	0	0	3,935	4,724	-789	0	0	0	-1,125	1,125	0	0
a Compromise Of Arrears Program (COAP)	945	624	321	0	0	945	624	321	0	0	0	0	0	0	0
b Presumed Income Adjustment	2,990	1,973	1,017	0	0	2,990	1,973	1,017	0	0	0	0	0	0	0
c Federal Incentives Impact	0	1,002	-1,002	0	0	0	2,127	-2,127	0	0	0	-1,125	1,125	0	0
8 Transitional Arrearage Costs - LCSA Administrative	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 CHILD SUPPORT AUTOMATION 10.03	172,080	163,543	8,537	0	0	177,792	169,652	8,140	0	0	-5,712	-6,109	397	0	0
10 California Child Support Automation System - SDU	22,016	14,620	7,396	0	0	20,943	13,944	6,999	0	0	1,073	676	397	0	0
a State Disbursement Unit - FTB	983	983	0	0	0	983	983	0	0	0	0	0	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	295	195	100	0	0	0	0	0	0	0
c State Disbursement Unit - Service Provider (SP)	20,738	13,442	7,296	0	0	19,665	12,766	6,899	0	0	1,073	676	397	0	0
11 California Child Support Automation System - CSE	150,064	148,923	1,141	0	0	156,849	155,708	1,141	0	0	-6,785	-6,785	0	0	0
a Child Support Enforcement - FTB	146,708	146,708	0	0	0	153,493	153,493	0	0	0	-6,785	-6,785	0	0	0
b Child Support Enforcement - LCSA	3,356	2,215	1,141	0	0	3,356	2,215	1,141	0	0	0	0	0	0	0
12 CHILD SUPPORT PAYMENTS 10.04	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Transitional Arrearage Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

* Denotes a non-add item, which is displayed for information purposes only.

TABLE NUMBER 2
COST COMPARISON OF
2005-06 MAY REVISE TO 2005-06 NOVEMBER ESTIMATE
(in thousands)

Budget Item 5175-101	2005-06 MAY REVISE					2005-06 NOVEMBER ESTIMATE					DIFFERENCES				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 CHILD SUPPORT PROGRAM COSTS	1,265,828	786,776	469,052	10,000	0	1,269,487	789,239	470,248	10,000	0	-3,659	-2,463	-1,196	0	0
a Local Assistance Child Support Services *	779,737	513,947	255,790	10,000	0	778,455	516,207	252,248	10,000	0	1,282	-2,260	3,542	0	0
b Child Support Collections Recovery Fund *	272,829	272,829	0	0	0	273,032	273,032	0	0	0	-203	-203	0	0	0
c Alternative Federal Penalty *	213,262	0	213,262	0	0	218,000	0	218,000	0	0	-4,738	0	-4,738	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,093,748	623,233	460,515	10,000	0	1,098,486	626,732	461,754	10,000	0	-4,738	-3,499	-1,239	0	0
3 Local Child Support Agency Basic Costs	870,086	618,160	241,926	10,000	0	870,086	621,438	238,648	10,000	0	0	-3,278	3,278	0	0
a Administration	739,658	532,252	197,406	10,000	0	739,658	535,530	194,128	10,000	0	0	-3,278	3,278	0	0
b EDP M&O	130,428	85,908	44,520	0	0	130,428	85,908	44,520	0	0	0	0	0	0	0
c Federal Performance Basic Incentives *	0	44,014	-44,014	0	0	0	47,292	-47,292	0	0	0	-3,278	3,278	0	0
4 SDU Implementation LCSA Workload	2,234	1,474	760	0	0	2,234	1,474	760	0	0	0	0	0	0	0
5 EDP Conversion and Enhancements	4,231	0	4,231	0	0	4,231	0	4,231	0	0	0	0	0	0	0
6 Alternative Federal Penalty	213,262	0	213,262	0	0	218,000	0	218,000	0	0	-4,738	0	-4,738	0	0
7 Child Support Collection Enhancements	3,935	3,599	336	0	0	3,935	3,820	115	0	0	0	-221	221	0	0
a Compromise Of Arrears Program (COAP)	945	624	321	0	0	945	624	321	0	0	0	0	0	0	0
b Presumed Income Adjustment	2,990	1,973	1,017	0	0	2,990	1,973	1,017	0	0	0	0	0	0	0
c Federal Incentives Impact	0	1,002	-1,002	0	0	0	1,223	-1,223	0	0	0	-221	221	0	0
8 Transitional Arrearage Costs - LCSA Administrative	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 CHILD SUPPORT AUTOMATION 10.03	172,080	163,543	8,537	0	0	171,001	162,507	8,494	0	0	1,079	1,036	43	0	0
10 California Child Support Automation System - SDU	22,016	14,620	7,396	0	0	21,889	14,536	7,353	0	0	127	84	43	0	0
a State Disbursement Unit - FTB	983	983	0	0	0	983	983	0	0	0	0	0	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	295	195	100	0	0	0	0	0	0	0
c State Disbursement Unit - Service Provider (SP)	20,738	13,442	7,296	0	0	20,611	13,358	7,253	0	0	127	84	43	0	0
11 California Child Support Automation System - CSE	150,064	148,923	1,141	0	0	149,112	147,971	1,141	0	0	952	952	0	0	0
a Child Support Enforcement - FTB	146,708	146,708	0	0	0	145,756	145,756	0	0	0	952	952	0	0	0
b Child Support Enforcement - LCSA	3,356	2,215	1,141	0	0	3,356	2,215	1,141	0	0	0	0	0	0	0
12 CHILD SUPPORT PAYMENTS 10.04	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Transitional Arrearage Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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TABLE NUMBER 3
COST COMPARISON OF
2006-07 MAY REVISE TO 2005-06 MAY REVISE
(in thousands)

Budget Item 5175-101	2006-07 MAY REVISE					2005-06 MAY REVISE					DIFFERENCES				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 CHILD SUPPORT PROGRAM COSTS	1,323,404	807,341	506,063	10,000	0	1,265,828	786,776	469,052	10,000	0	57,576	20,565	37,011	0	0
a Local Assistance Child Support Services *	830,019	533,956	286,063	10,000	0	779,737	513,947	255,790	10,000	0	50,282	20,009	30,273	0	0
b Child Support Collections Recovery Fund *	273,385	273,385	0	0	0	272,829	272,829	0	0	0	556	556	0	0	0
c Alternative Federal Penalty *	220,000	0	220,000	0	0	213,262	0	213,262	0	0	6,738	0	6,738	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,098,073	624,916	463,157	10,000	0	1,093,748	623,233	460,515	10,000	0	4,325	1,683	2,642	0	0
3 Local Child Support Agency Basic Costs	870,601	619,907	240,694	10,000	0	870,086	618,160	241,926	10,000	0	515	1,747	-1,232	0	0
a Administration	739,658	533,485	196,173	10,000	0	739,658	532,252	197,406	10,000	0	0	1,233	-1,233	0	0
b EDP M&O	130,943	86,422	44,521	0	0	130,428	85,908	44,520	0	0	515	514	1	0	0
c Federal Performance Basic Incentives *	0	45,247	-45,247	0	0	0	44,014	-44,014	0	0	0	1,233	-1,233	0	0
4 SDU Implementation LCSA Workload	0	0	0	0	0	2,234	1,474	760	0	0	-2,234	-1,474	-760	0	0
5 EDP Conversion and Enhancements	2,000	0	2,000	0	0	4,231	0	4,231	0	0	-2,231	0	-2,231	0	0
6 Alternative Federal Penalty	220,000	0	220,000	0	0	213,262	0	213,262	0	0	6,738	0	6,738	0	0
7 Child Support Collection Enhancements	3,935	3,995	-60	0	0	3,935	3,599	336	0	0	0	396	-396	0	0
a Compromise Of Arrears Program (COAP)	945	624	321	0	0	945	624	321	0	0	0	0	0	0	0
b Presumed Income Adjustment	2,990	1,973	1,017	0	0	2,990	1,973	1,017	0	0	0	0	0	0	0
c Federal Incentives Impact	0	1,398	-1,398	0	0	0	1,002	-1,002	0	0	0	396	-396	0	0
8 Transitional Arrearage Costs - LCSA Administrative	1,537	1,014	523	0	0	0	0	0	0	0	1,537	1,014	523	0	0
9 CHILD SUPPORT AUTOMATION 10.03	202,331	182,425	19,906	0	0	172,080	163,543	8,537	0	0	30,251	18,882	11,369	0	0
10 California Child Support Automation System - SDU	48,703	31,889	16,814	0	0	22,016	14,620	7,396	0	0	26,687	17,269	9,418	0	0
a State Disbursement Unit - FTB	653	653	0	0	0	983	983	0	0	0	-330	-330	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	295	195	100	0	0	0	0	0	0	0
c State Disbursement Unit - Service Provider (SP)	47,755	31,041	16,714	0	0	20,738	13,442	7,296	0	0	27,017	17,599	9,418	0	0
11 California Child Support Automation System - CSE	153,628	150,536	3,092	0	0	150,064	148,923	1,141	0	0	3,564	1,613	1,951	0	0
a Child Support Enforcement - FTB	144,534	144,534	0	0	0	146,708	146,708	0	0	0	-2,174	-2,174	0	0	0
b Child Support Enforcement - LCSA	9,094	6,002	3,092	0	0	3,356	2,215	1,141	0	0	5,738	3,787	1,951	0	0
12 CHILD SUPPORT PAYMENTS 10.04	23,000	0	23,000	0	0	0	0	0	0	0	23,000	0	23,000	0	0
13 Transitional Arrearage Payments	23,000	0	23,000	0	0	0	0	0	0	0	23,000	0	23,000	0	0

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TABLE NUMBER 4
COST COMPARISON OF
2006-07 MAY REVISE TO 2006-07 GOVERNOR'S BUDGET
(in thousands)

Budget Item 5175-101	2006-07 MAY REVISE					2006-07 GOVERNOR'S BUDGET					DIFFERENCES				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 CHILD SUPPORT PROGRAM COSTS	1,323,404	807,341	506,063	10,000	0	1,273,744	790,888	472,856	10,000	0	49,660	16,453	33,207	0	0
a Local Assistance Child Support Services *	830,019	533,956	286,063	10,000	0	784,022	521,166	252,856	10,000	0	45,997	12,790	33,207	0	0
b Child Support Collections Recovery Fund *	273,385	273,385	0	0	0	269,722	269,722	0	0	0	3,663	3,663	0	0	0
c Alternative Federal Penalty *	220,000	0	220,000	0	0	220,000	0	220,000	0	0	0	0	0	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,098,073	624,916	463,157	10,000	0	1,094,536	628,299	456,237	10,000	0	3,537	-3,383	6,920	0	0
3 Local Child Support Agency Basic Costs	870,601	619,907	240,694	10,000	0	870,601	623,852	236,749	10,000	0	0	-3,945	3,945	0	0
a Administration	739,658	533,485	196,173	10,000	0	739,658	537,430	192,228	10,000	0	0	-3,945	3,945	0	0
b EDP M&O	130,943	86,422	44,521	0	0	130,943	86,422	44,521	0	0	0	0	0	0	0
c Federal Performance Basic Incentives *	0	45,247	-45,247	0	0	0	49,192	-49,192	0	0	0	-3,945	3,945	0	0
4 SDU Implementation LCSA Workload	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 EDP Conversion and Enhancements	2,000	0	2,000	0	0	0	0	0	0	0	2,000	0	2,000	0	0
6 Alternative Federal Penalty	220,000	0	220,000	0	0	220,000	0	220,000	0	0	0	0	0	0	0
7 Child Support Collection Enhancements	3,935	3,995	-60	0	0	3,935	4,447	-512	0	0	0	-452	452	0	0
a Compromise Of Arrears Program (COAP)	945	624	321	0	0	945	624	321	0	0	0	0	0	0	0
b Presumed Income Adjustment	2,990	1,973	1,017	0	0	2,990	1,973	1,017	0	0	0	0	0	0	0
c Federal Incentives Impact	0	1,398	-1,398	0	0	0	1,850	-1,850	0	0	0	-452	452	0	0
8 Transitional Arrearage Costs - LCSA Administrative	1,537	1,014	523	0	0	0	0	0	0	0	1,537	1,014	523	0	0
9 CHILD SUPPORT AUTOMATION 10.03	202,331	182,425	19,906	0	0	179,208	162,589	16,619	0	0	23,123	19,836	3,287	0	0
10 California Child Support Automation System - SDU	48,703	31,889	16,814	0	0	37,739	24,212	13,527	0	0	10,964	7,677	3,287	0	0
a State Disbursement Unit - FTB	653	653	0	0	0	653	653	0	0	0	0	0	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	295	195	100	0	0	0	0	0	0	0
c State Disbursement Unit - Service Provider (SP)	47,755	31,041	16,714	0	0	36,791	23,364	13,427	0	0	10,964	7,677	3,287	0	0
11 California Child Support Automation System - CSE	153,628	150,536	3,092	0	0	141,469	138,377	3,092	0	0	12,159	12,159	0	0	0
a Child Support Enforcement - FTB	144,534	144,534	0	0	0	132,375	132,375	0	0	0	12,159	12,159	0	0	0
b Child Support Enforcement - LCSA	9,094	6,002	3,092	0	0	9,094	6,002	3,092	0	0	0	0	0	0	0
12 CHILD SUPPORT PAYMENTS 10.04	23,000	0	23,000	0	0	0	0	0	0	0	23,000	0	23,000	0	0
13 Transitional Arrearage Payments	23,000	0	23,000	0	0	0	0	0	0	0	23,000	0	23,000	0	0

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**CHILD SUPPORT PROGRAM
REVENUE AND COLLECTIONS COMPARISONS**

TABLE OF CONTENTS

CURRENT YEAR COMPARISONS:

Table 1.	2005-06 May Revise to 2005-06 Appropriation.....	May CY – App CY
Table 2.	2005-06 May Revise to 2005-06 November Estimate.....	May CY – Nov CY

BUDGET YEAR COMPARISONS:

Table 3.	2006-07 May Revise to 2005-06 May Revise.....	May BY – May CY
Table 4.	2006-07 May Revise to 2006-07 Governor's Budget.....	May BY – Gov BY

TABLE NUMBER 1
REVENUE AND COLLECTIONS COMPARISON OF
2005-06 MAY REVISE TO 2005-06 APPROPRIATION
(in thousands)

	2005-06 MAY REVISE					2005-06 APPROPRIATION					DIFFERENCES				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,361,265	272,829	297,926	36,522	1,753,988	2,448,581	295,368	320,097	38,106	1,795,010	-87,316	-22,539	-22,171	-1,584	-41,022
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,379,144	287,708	300,926	36,522	1,753,988	2,465,815	309,602	323,097	38,106	1,795,010	-86,671	-21,894	-22,171	-1,584	-41,022
3 Child Support Assistance Collections	662,634	287,708	300,926	36,522	37,478	709,674	309,602	323,097	38,106	38,869	-47,040	-21,894	-22,171	-1,584	-1,391
4 Basic Collections	595,797	274,202	286,805	34,790	0	635,781	293,534	306,141	36,106	0	-39,984	-19,332	-19,336	-1,316	0
5 \$ 50 State Disregard Payments to Families	30,690	0	0	0	30,690	30,587	0	0	0	30,587	103	0	0	0	103
6 Collections for Other States - Assistance	3,041	0	0	0	3,041	4,144	0	0	0	4,144	-1,103	0	0	0	-1,103
7 Miscellaneous Collections - Assistance	3,747	0	0	0	3,747	4,138	0	0	0	4,138	-391	0	0	0	-391
8 Full Collections Program - Assistance	11,745	5,398	5,643	704	0	9,122	4,185	4,416	521	0	2,623	1,213	1,227	183	0
a FIDM	7,540	3,465	3,623	452	0	7,094	3,255	3,434	405	0	446	210	189	47	0
b Non-FIDM	4,205	1,933	2,020	252	0	2,028	930	982	116	0	2,177	1,003	1,038	136	0
9 Child Support Collections Enhancements	17,614	8,108	8,478	1,028	0	25,902	11,883	12,540	1,479	0	-8,288	-3,775	-4,062	-451	0
a Compromise Of Arrears Program (COAP)	1,768	814	851	103	0	10,328	4,738	5,000	590	0	-8,560	-3,924	-4,149	-487	0
b Enhanced FIDM	2,248	1,035	1,082	131	0	1,975	906	956	113	0	273	129	126	18	0
c Presumed Income Adjustment	10,878	5,007	5,236	635	0	10,879	4,991	5,267	621	0	-1	16	-31	14	0
d Low Income Adjustment	2,720	1,252	1,309	159	0	2,720	1,248	1,317	155	0	0	4	-8	4	0
10 Transitional Arrears Payment - Assistance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Child Support NonAssistance Collections	1,716,510	0	0	0	1,716,510	1,756,141	0	0	0	1,756,141	-39,631	0	0	0	-39,631
12 Basic Collections	1,575,403	0	0	0	1,575,403	1,610,079	0	0	0	1,610,079	-34,676	0	0	0	-34,676
13 Collections for Other States - NonAssistance	111,216	0	0	0	111,216	123,697	0	0	0	123,697	-12,481	0	0	0	-12,481
14 Miscellaneous Collections - NonAssistance	1,136	0	0	0	1,136	1,079	0	0	0	1,079	57	0	0	0	57
15 Full Collections Program - NonAssistance	28,755	0	0	0	28,755	21,286	0	0	0	21,286	7,469	0	0	0	7,469
a FIDM	18,460	0	0	0	18,460	16,554	0	0	0	16,554	1,906	0	0	0	1,906
b Non-FIDM	10,295	0	0	0	10,295	4,732	0	0	0	4,732	5,563	0	0	0	5,563
16 Transitional Arrears Payment - NonAssistance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 REVENUES TRANSFERS	-17,879	-14,879	-3,000	0	0	-17,234	-14,234	-3,000	0	0	-645	-645	0	0	0
18 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	-3,000	0	-3,000	0	0	0	0	0	0	0
19 Title IV-E Child Support Collections Recovery Fund	-14,879	-14,879	0	0	0	-14,234	-14,234	0	0	0	-645	-645	0	0	0
20 Repayment of Transitional Arrears	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

1/ Other reflects collections that are paid to families and collections made in California on behalf of other states.

TABLE NUMBER 2
REVENUE AND COLLECTIONS COMPARISON OF
2005-06 MAY REVISE TO 2005-06 NOVEMBER ESTIMATE
(in thousands)

	2005-06 MAY REVISE					2005-06 NOVEMBER ESTIMATE					DIFFERENCES				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,361,265	272,829	297,926	36,522	1,753,988	2,354,498	273,032	298,137	36,528	1,746,801	6,767	-203	-211	-6	7,187
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,379,144	287,708	300,926	36,522	1,753,988	2,372,373	287,907	301,137	36,528	1,746,801	6,771	-199	-211	-6	7,187
3 Child Support Assistance Collections	662,634	287,708	300,926	36,522	37,478	661,857	287,907	301,137	36,528	36,285	777	-199	-211	-6	1,193
4 Basic Collections	595,797	274,202	286,805	34,790	0	592,595	272,729	285,263	34,603	0	3,202	1,473	1,542	187	0
5 \$ 50 State Disregard Payments to Families	30,690	0	0	0	30,690	31,962	0	0	0	31,962	-1,272	0	0	0	-1,272
6 Collections for Other States - Assistance	3,041	0	0	0	3,041	3,056	0	0	0	3,056	-15	0	0	0	-15
7 Miscellaneous Collections - Assistance	3,747	0	0	0	3,747	1,267	0	0	0	1,267	2,480	0	0	0	2,480
8 Full Collections Program - Assistance	11,745	5,398	5,643	704	0	11,468	5,278	5,520	670	0	277	120	123	34	0
a FIDM	7,540	3,465	3,623	452	0	6,858	3,156	3,301	401	0	682	309	322	51	0
b Non-FIDM	4,205	1,933	2,020	252	0	4,610	2,122	2,219	269	0	-405	-189	-199	-17	0
9 Child Support Collections Enhancements	17,614	8,108	8,478	1,028	0	21,509	9,900	10,354	1,255	0	-3,895	-1,792	-1,876	-227	0
a Compromise Of Arrears Program (COAP)	1,768	814	851	103	0	5,936	2,732	2,858	346	0	-4,168	-1,918	-2,007	-243	0
b Enhanced FIDM	2,248	1,035	1,082	131	0	1,975	909	951	115	0	273	126	131	16	0
c Presumed Income Adjustment	10,878	5,007	5,236	635	0	10,878	5,007	5,236	635	0	0	0	0	0	0
d Low Income Adjustment	2,720	1,252	1,309	159	0	2,720	1,252	1,309	159	0	0	0	0	0	0
10 Transitional Arrears Payment - Assistance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Child Support NonAssistance Collections	1,716,510	0	0	0	1,716,510	1,710,516	0	0	0	1,710,516	5,994	0	0	0	5,994
12 Basic Collections	1,575,403	0	0	0	1,575,403	1,569,978	0	0	0	1,569,978	5,425	0	0	0	5,425
13 Collections for Other States - NonAssistance	111,216	0	0	0	111,216	111,325	0	0	0	111,325	-109	0	0	0	-109
14 Miscellaneous Collections - NonAssistance	1,136	0	0	0	1,136	1,137	0	0	0	1,137	-1	0	0	0	-1
15 Full Collections Program - NonAssistance	28,755	0	0	0	28,755	28,076	0	0	0	28,076	679	0	0	0	679
a FIDM	18,460	0	0	0	18,460	16,791	0	0	0	16,791	1,669	0	0	0	1,669
b Non-FIDM	10,295	0	0	0	10,295	11,285	0	0	0	11,285	-990	0	0	0	-990
16 Transitional Arrears Payment - NonAssistance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 REVENUES TRANSFERS	-17,879	-14,879	-3,000	0	0	-17,875	-14,875	-3,000	0	0	-4	-4	0	0	0
18 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	-3,000	0	-3,000	0	0	0	0	0	0	0
19 Title IV-E Child Support Collections Recovery Fund	-14,879	-14,879	0	0	0	-14,875	-14,875	0	0	0	-4	-4	0	0	0
20 Repayment of Transitional Arrears	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

1/ Other reflects collections that are paid to families and collections made in California on behalf of other states.

TABLE NUMBER 3
REVENUE AND COLLECTIONS COMPARISON OF
2006-07 MAY REVISE TO 2005-06 MAY REVISE
(in thousands)

	2006-07 MAY REVISE					2005-06 MAY REVISE					DIFFERENCES				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,438,491	273,385	297,423	36,592	1,831,091	2,361,265	272,829	297,926	36,522	1,753,988	77,226	556	-503	70	77,103
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,456,011	288,289	300,039	36,592	1,831,091	2,379,144	287,708	300,926	36,522	1,753,988	76,867	581	-887	70	77,103
3 Child Support Assistance Collections	663,066	288,289	300,039	36,592	38,146	662,634	287,708	300,926	36,522	37,478	432	581	-887	70	668
4 Basic Collections	592,257	272,573	285,100	34,584	0	595,797	274,202	286,805	34,790	0	-3,540	-1,629	-1,705	-206	0
5 \$ 50 State Disregard Payments to Families	29,931	0	-1,494	0	31,425	30,690	0	0	0	30,690	-759	0	-1,494	0	735
6 Collections for Other States - Assistance	3,011	0	0	0	3,011	3,041	0	0	0	3,041	-30	0	0	0	-30
7 Miscellaneous Collections - Assistance	3,710	0	0	0	3,710	3,747	0	0	0	3,747	-37	0	0	0	-37
8 Full Collections Program - Assistance	8,990	4,132	4,319	539	0	11,745	5,398	5,643	704	0	-2,755	-1,266	-1,324	-165	0
a FIDM	7,685	3,532	3,692	461	0	7,540	3,465	3,623	452	0	145	67	69	9	0
b Non-FIDM	1,305	600	627	78	0	4,205	1,933	2,020	252	0	-2,900	-1,333	-1,393	-174	0
9 Child Support Collections Enhancements	18,552	8,539	8,930	1,083	0	17,614	8,108	8,478	1,028	0	938	431	452	55	0
a Compromise Of Arrears Program (COAP)	2,561	1,179	1,233	149	0	1,768	814	851	103	0	793	365	382	46	0
b Enhanced FIDM	2,393	1,101	1,152	140	0	2,248	1,035	1,082	131	0	145	66	70	9	0
c Presumed Income Adjustment	10,878	5,007	5,236	635	0	10,878	5,007	5,236	635	0	0	0	0	0	0
d Low Income Adjustment	2,720	1,252	1,309	159	0	2,720	1,252	1,309	159	0	0	0	0	0	0
10 Transitional Arrears Payment - Assistance	6,615	3,045	3,184	386	0	0	0	0	0	0	6,615	3,045	3,184	386	0
11 Child Support NonAssistance Collections	1,792,945	0	0	0	1,792,945	1,716,510	0	0	0	1,716,510	76,435	0	0	0	76,435
12 Basic Collections	1,638,265	0	0	0	1,638,265	1,575,403	0	0	0	1,575,403	62,862	0	0	0	62,862
13 Collections for Other States - NonAssistance	115,109	0	0	0	115,109	111,216	0	0	0	111,216	3,893	0	0	0	3,893
14 Miscellaneous Collections - NonAssistance	1,176	0	0	0	1,176	1,136	0	0	0	1,136	40	0	0	0	40
15 Full Collections Program - NonAssistance	22,010	0	0	0	22,010	28,755	0	0	0	28,755	-6,745	0	0	0	-6,745
a FIDM	18,815	0	0	0	18,815	18,460	0	0	0	18,460	355	0	0	0	355
b Non-FIDM	3,195	0	0	0	3,195	10,295	0	0	0	10,295	-7,100	0	0	0	-7,100
16 Transitional Arrears Payment - NonAssistance	16,385	0	0	0	16,385	0	0	0	0	0	16,385	0	0	0	16,385
17 REVENUES TRANSFERS	-17,520	-14,904	-2,616	0	0	-17,879	-14,879	-3,000	0	0	359	-25	384	0	0
18 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	-3,000	0	-3,000	0	0	0	0	0	0	0
19 Title IV-E Child Support Collections Recovery Fund	-14,904	-14,904	0	0	0	-14,879	-14,879	0	0	0	-25	-25	0	0	0
20 Repayment of Transitional Arrears	384	0	384	0	0	0	0	0	0	0	384	0	384	0	0

1/ Other reflects collections that are paid to families and collections made in California on behalf of other states.

TABLE NUMBER 4
REVENUE AND COLLECTIONS COMPARISON OF
2006-07 MAY REVISE TO 2006-07 GOVERNOR'S BUDGET
(in thousands)

	2006-07 MAY REVISE					2006-07 GOVERNOR'S BUDGET					DIFFERENCES				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,438,491	273,385	297,423	36,592	1,831,091	2,410,889	269,722	294,485	36,085	1,810,597	27,602	3,663	2,938	507	20,494
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,456,011	288,289	300,039	36,592	1,831,091	2,428,583	284,416	297,485	36,085	1,810,597	27,428	3,873	2,554	507	20,494
3 Child Support Assistance Collections	663,066	288,289	300,039	36,592	38,146	655,684	284,416	297,485	36,085	37,698	7,382	3,873	2,554	507	448
4 Basic Collections	592,257	272,573	285,100	34,584	0	583,130	268,373	280,707	34,050	0	9,127	4,200	4,393	534	0
5 \$ 50 State Disregard Payments to Families	29,931	0	-1,494	0	31,425	33,496	0	0	0	33,496	-3,565	0	-1,494	0	-2,071
6 Collections for Other States - Assistance	3,011	0	0	0	3,011	2,971	0	0	0	2,971	40	0	0	0	40
7 Miscellaneous Collections - Assistance	3,710	0	0	0	3,710	1,231	0	0	0	1,231	2,479	0	0	0	2,479
8 Full Collections Program - Assistance	8,990	4,132	4,319	539	0	10,308	4,744	4,962	602	0	-1,318	-612	-643	-63	0
a FIDM	7,685	3,532	3,692	461	0	6,858	3,156	3,301	401	0	827	376	391	60	0
b Non-FIDM	1,305	600	627	78	0	3,450	1,588	1,661	201	0	-2,145	-988	-1,034	-123	0
9 Child Support Collections Enhancements	18,552	8,539	8,930	1,083	0	24,548	11,299	11,816	1,433	0	-5,996	-2,760	-2,886	-350	0
a Compromise Of Arrears Program (COAP)	2,561	1,179	1,233	149	0	8,975	4,131	4,320	524	0	-6,414	-2,952	-3,087	-375	0
b Enhanced FIDM	2,393	1,101	1,152	140	0	1,975	909	951	115	0	418	192	201	25	0
c Presumed Income Adjustment	10,878	5,007	5,236	635	0	10,878	5,007	5,236	635	0	0	0	0	0	0
d Low Income Adjustment	2,720	1,252	1,309	159	0	2,720	1,252	1,309	159	0	0	0	0	0	0
10 Transitional Arrears Payment - Assistance	6,615	3,045	3,184	386	0	0	0	0	0	0	6,615	3,045	3,184	386	0
11 Child Support NonAssistance Collections	1,792,945	0	0	0	1,792,945	1,772,899	0	0	0	1,772,899	20,046	0	0	0	20,046
12 Basic Collections	1,638,265	0	0	0	1,638,265	1,631,714	0	0	0	1,631,714	6,551	0	0	0	6,551
13 Collections for Other States - NonAssistance	115,109	0	0	0	115,109	114,776	0	0	0	114,776	333	0	0	0	333
14 Miscellaneous Collections - NonAssistance	1,176	0	0	0	1,176	1,173	0	0	0	1,173	3	0	0	0	3
15 Full Collections Program - NonAssistance	22,010	0	0	0	22,010	25,236	0	0	0	25,236	-3,226	0	0	0	-3,226
a FIDM	18,815	0	0	0	18,815	16,791	0	0	0	16,791	2,024	0	0	0	2,024
b Non-FIDM	3,195	0	0	0	3,195	8,445	0	0	0	8,445	-5,250	0	0	0	-5,250
16 Transitional Arrears Payment - NonAssistance	16,385	0	0	0	16,385	0	0	0	0	0	16,385	0	0	0	16,385
17 REVENUES TRANSFERS	-17,520	-14,904	-2,616	0	0	-17,694	-14,694	-3,000	0	0	174	-210	384	0	0
18 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	-3,000	0	-3,000	0	0	0	0	0	0	0
19 Title IV-E Child Support Collections Recovery Fund	-14,904	-14,904	0	0	0	-14,694	-14,694	0	0	0	-210	-210	0	0	0
20 Repayment of Transitional Arrears	384	0	384	0	0	0	0	0	0	0	384	0	384	0	0

1/ Other reflects collections that are paid to families and collections made in California on behalf of other states.

**CHILD SUPPORT PROGRAM
AUXILIARY CHARTS**

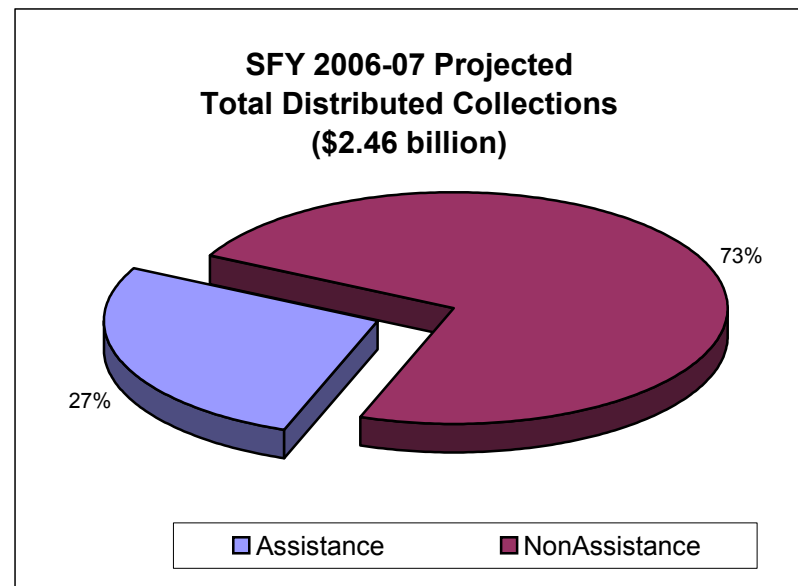
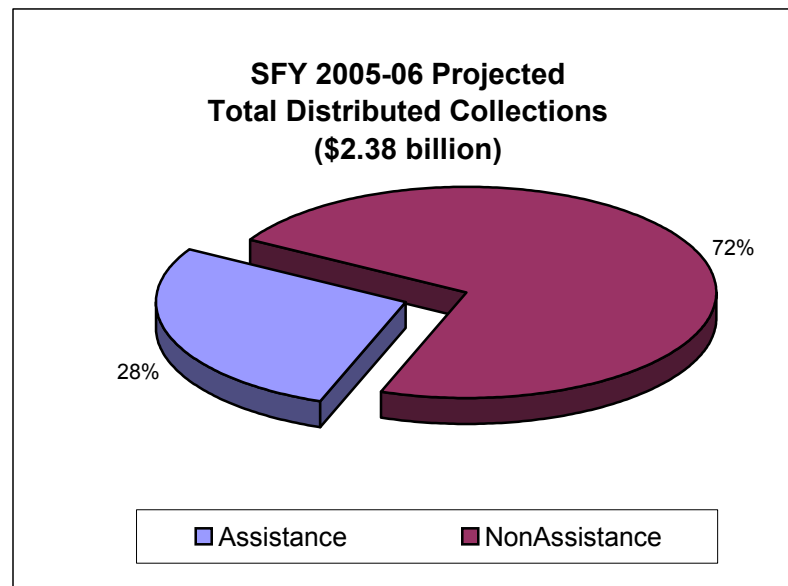
TABLE OF CONTENTS

Total Projected Distributed Collections for State Fiscal Years 2005-06 and 2006-07.....	A-1
Total Distributed Collections for State Fiscal Years 1999-00 through 2006-07.....	A-2
Basic Assistance Collections Forecast and Trend Analysis Comparisons.....	A-3
Basic Assistance Collections Trend Line.....	A-4
Basic Non-Assistance Collections Forecast and Trend Analysis Comparisons.....	A-5
Basic Non-Assistance Collections Trend Line.....	A-6
Total Collections Received by Source for SFY 2004-05.....	A-7
Historical Total Collections Received by Source	A-8
Historical Incentive Performance Measures.....	A-9
Alternative Federal Penalty	A-10

TOTAL PROJECTED DISTRIBUTED COLLECTIONS FOR STATE FISCAL YEARS 2005-06 and 2006-07

The charts below display California's projected SFY 2005-06 (\$2.38 billion) and SFY 2006-07 (\$2.46 billion) child support total collections that are distributed to the federal, state and county government as revenue (**Assistance**) and to the families (**NonAssistance**).

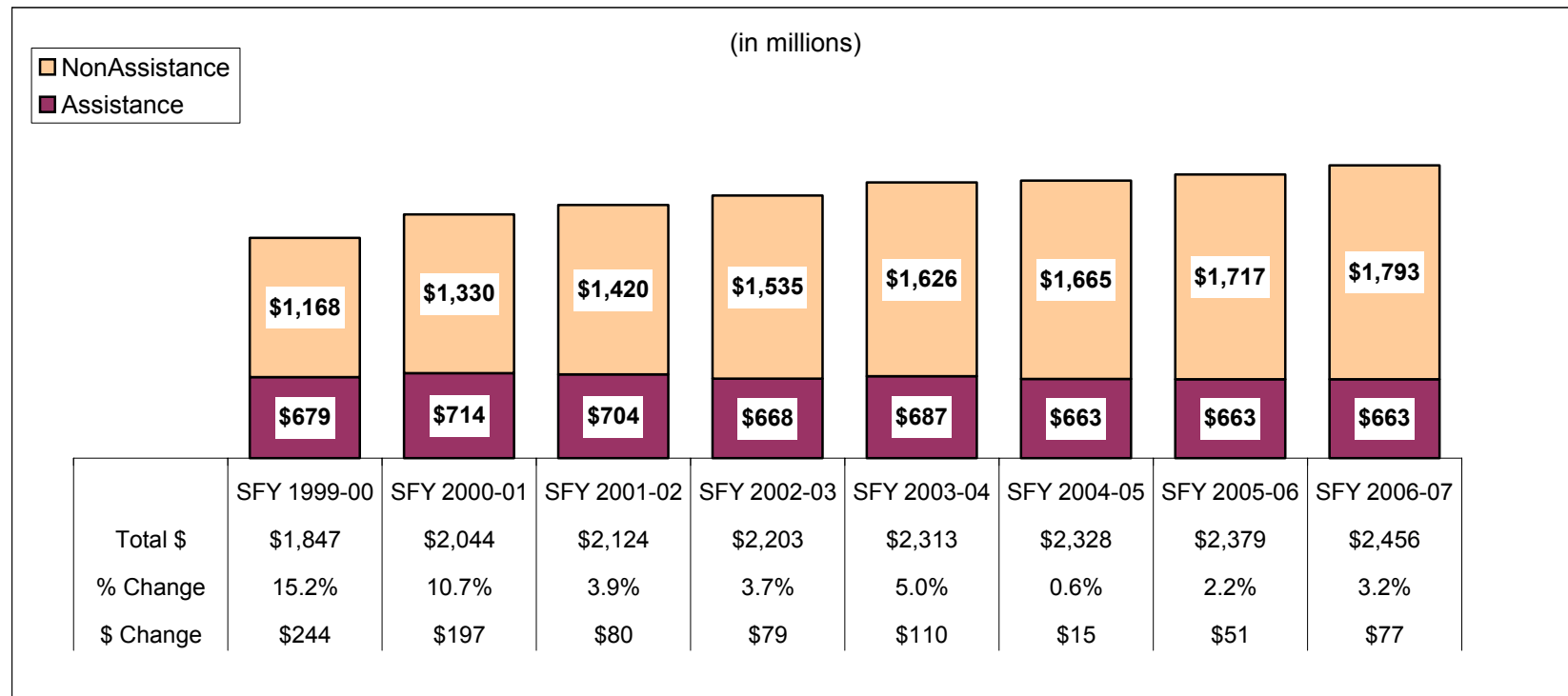
- **Assistance Collections (\$663 million SFY 2005-06, \$663 million SFY 2006-07)** are revenue to government entities which reflects basic collections and other premises. Basic Collections (\$596 million SFY 2005-06, \$592 million SFY 2006-07) are the ongoing efforts of the local child support agencies (LCSA) to collect child support payments from noncustodial parents. Other Collection premises (\$67 million SFY 2005-06, \$71 million SFY 2006-07) are those collections that are associated with new or other enforcement activities that are above the basic ongoing functions of the LCSA, such as the Full Collections Program, Child Support Collections Enhancements, \$50 Disregard, Collections for Other States, miscellaneous collections, and transitional arrears payments.
- **NonAssistance Collections (\$1.72 billion SFY 2005-06, \$1.79 billion SFY 2006-07)** are collections that are made on behalf of families and sent directly to them. These collections are comprised of Basic Collections (\$1.58 billion SFY 2005-06, \$1.64 billion SFY 2006-07) and Other Collection premises (\$141 million SFY 2005-06, \$154 million SFY 2006-07).



TOTAL DISTRIBUTED COLLECTIONS FOR STATE FISCAL YEARS 1999-00 through 2006-07

Total child support distributed collections have grown from \$1.85 billion in State Fiscal Year (SFY) 1999-00 to a projected level of \$2.46 billion in SFY 2006-07. This represents a 32.9 percent overall growth rate.

The chart below reflects the actual and projected total distributed collections and the year to year change by state fiscal years.



Source: The collections data for SFY 1999-00 through SFY 2001-02 are from the CS 800 and 820 reports.
The collections data for SFY 2002-03 through SFY 2004-05 are from the CS 34 and CS 35 reports.
The SFY 2005-06 and SFY 2006-07 projections are based on the current trend analysis.

BASIC ASSISTANCE TREND COLLECTIONS ^{1/} FORECAST COMPARISON

The current estimate is forecasting a decrease of 3.3% for State Fiscal Year (SFY) 2005-06, and a decrease of 4.3% for SFY 2006-07 over SFY 2004-05 actual. This is based on the most current 24 months of actual data. Basic Assistance collection trends have been declining from a peak level of \$660,309,000 in SFY 2000-01.

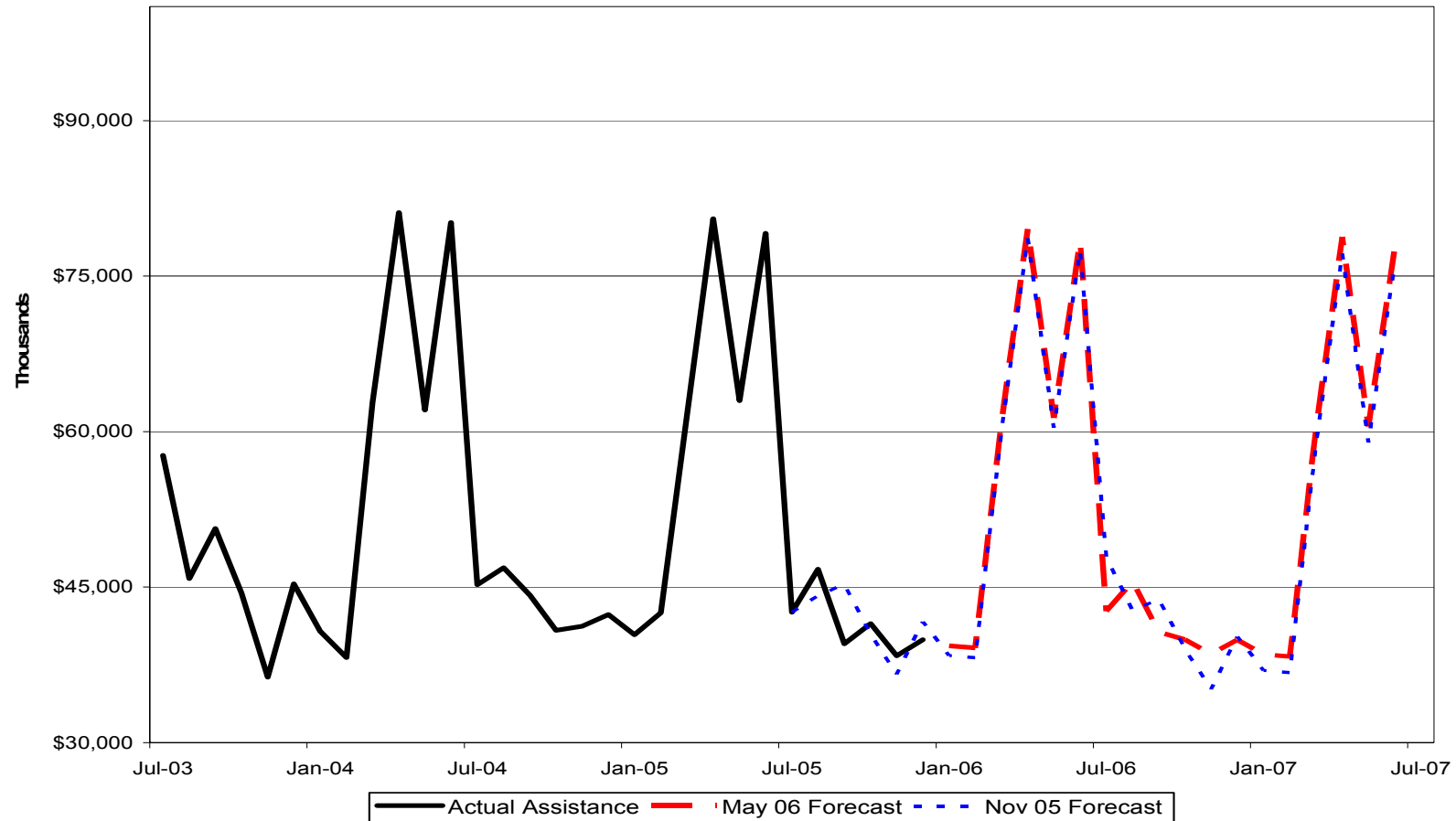
	SFY 2004-05	Forecast SFY 2005-06	Forecast SFY 2006-07
Actual	\$628,107	-	-
May 2006 Revision	-	\$607,542	\$601,247
Difference from Actual	-	-3.3%	-4.3%
November 2005 Estimate	-	\$604,063	\$593,438
Difference from Prior Forecast	N/A	0.6%	1.3%

(in thousands)

^{1/} Basic Assistance Collections includes Full Collections Program.

BASIC ASSISTANCE COLLECTIONS TREND LINE

The current estimate was based on 24 months of actual collections data, January 2004 through December 2005. The November 2005 Estimate forecast was based on 24 months of actual collection data, July 2003 through June 2005.



Note: Basic Assistance Collections includes Full Collections Program

BASIC NONASSISTANCE TREND COLLECTIONS ^{1/} FORECAST COMPARISON

The current estimate is forecasting an increase of 3.1% for State Fiscal Year (SFY) 2005-06, and an increase of 6.7% for SFY 2006-07 over SFY 2004-05 actual. This is based on the most current 24 months of actual data. Basic Nonassistance collections continue to increase, but the growth is at a slower rate in recent years.

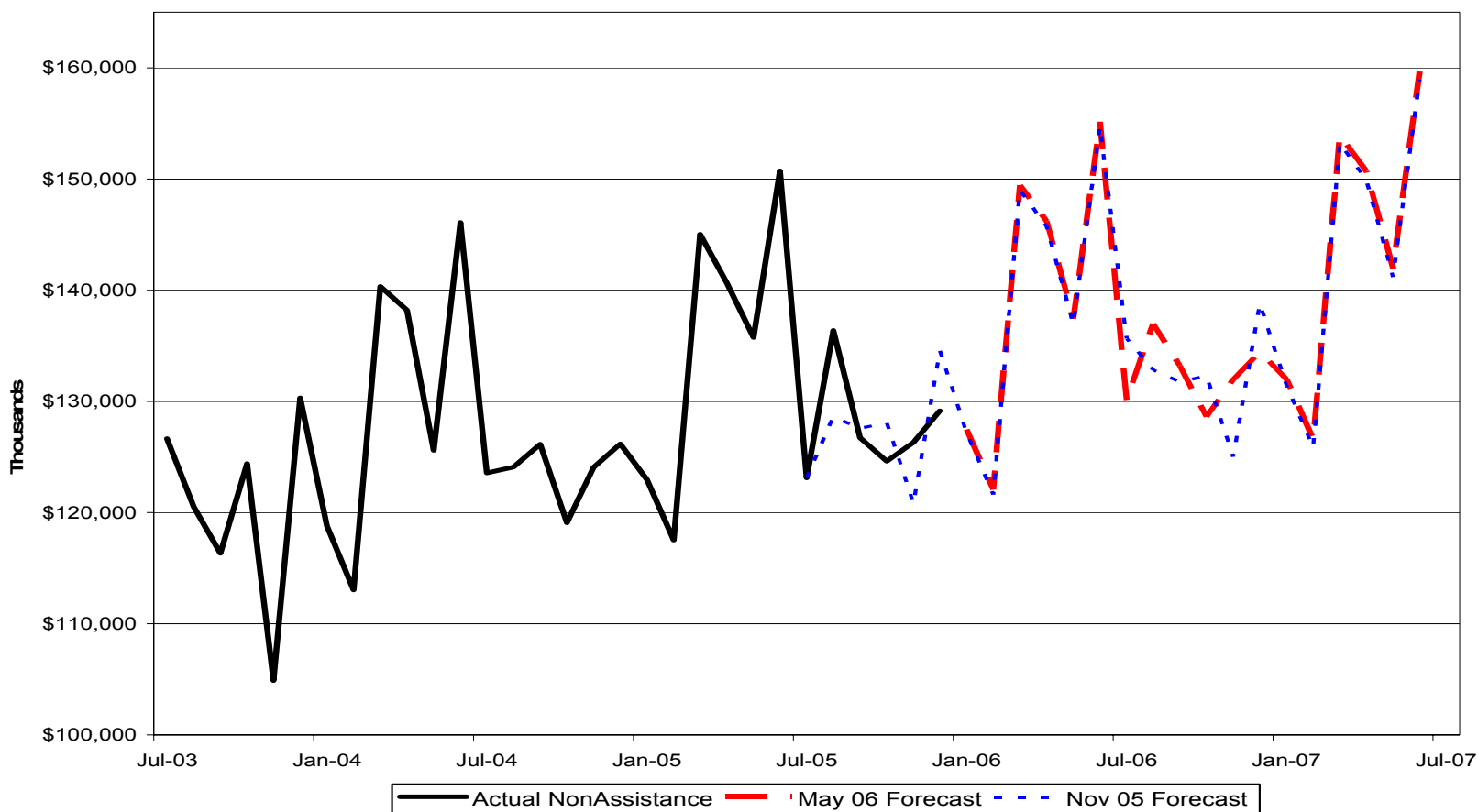
	SFY 2004-05	Forecast SFY 2005-06	Forecast SFY 2006-07
Actual	\$1,555,804	-	-
May 2006 Revision	-	\$1,604,158	\$1,660,275
Difference from Actual	-	3.1%	6.7%
November 2005 Estimate	-	\$1,598,054	\$1,656,950
Difference from Prior Forecast	N/A	0.4%	0.2%

(in thousands)

^{1/} Basic NonAssistance Collections includes Full Collections Program.

BASIC NONASSISTANCE COLLECTIONS TREND LINE

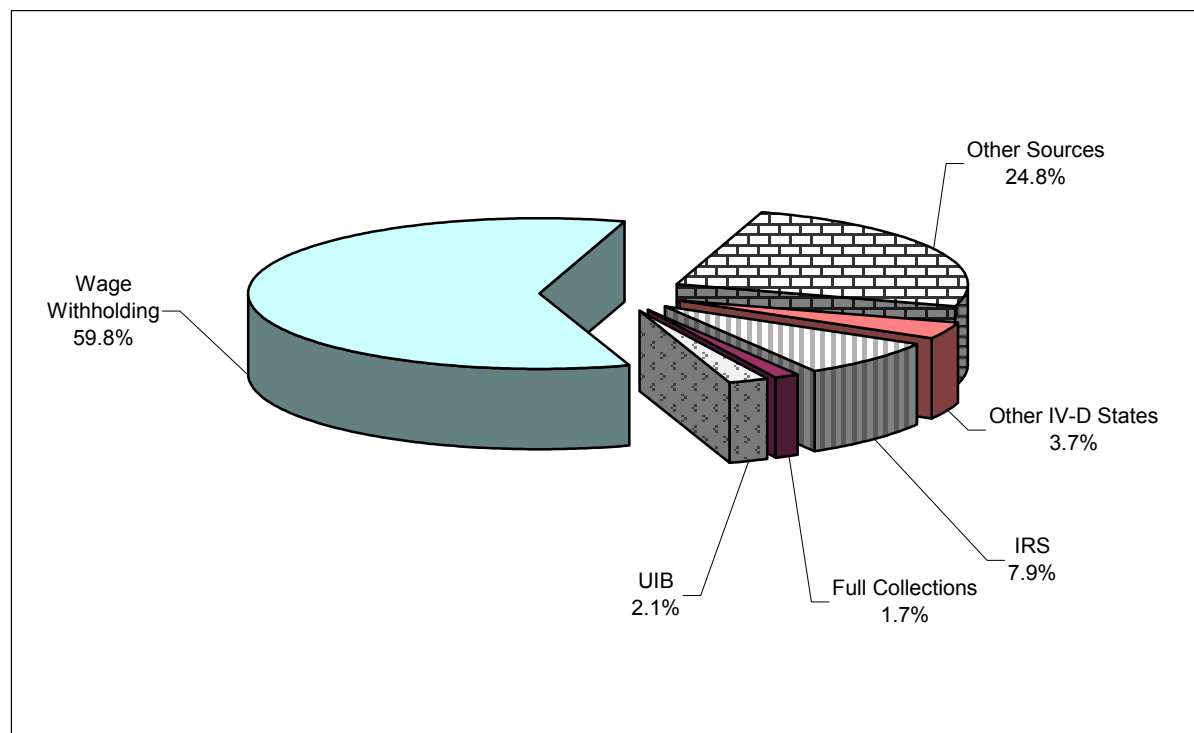
The current estimate was based on the most recent 24 months of actual data, January 2004 through December 2005.
The November 2005 Estimate used 24 months of actual data, July 2003 through June 2005.



Note: Basic NonAssistance Collections includes Full Collections Program

TOTAL COLLECTIONS RECEIVED BY SOURCE FOR STATE FISCAL YEAR (SFY) 2004-05

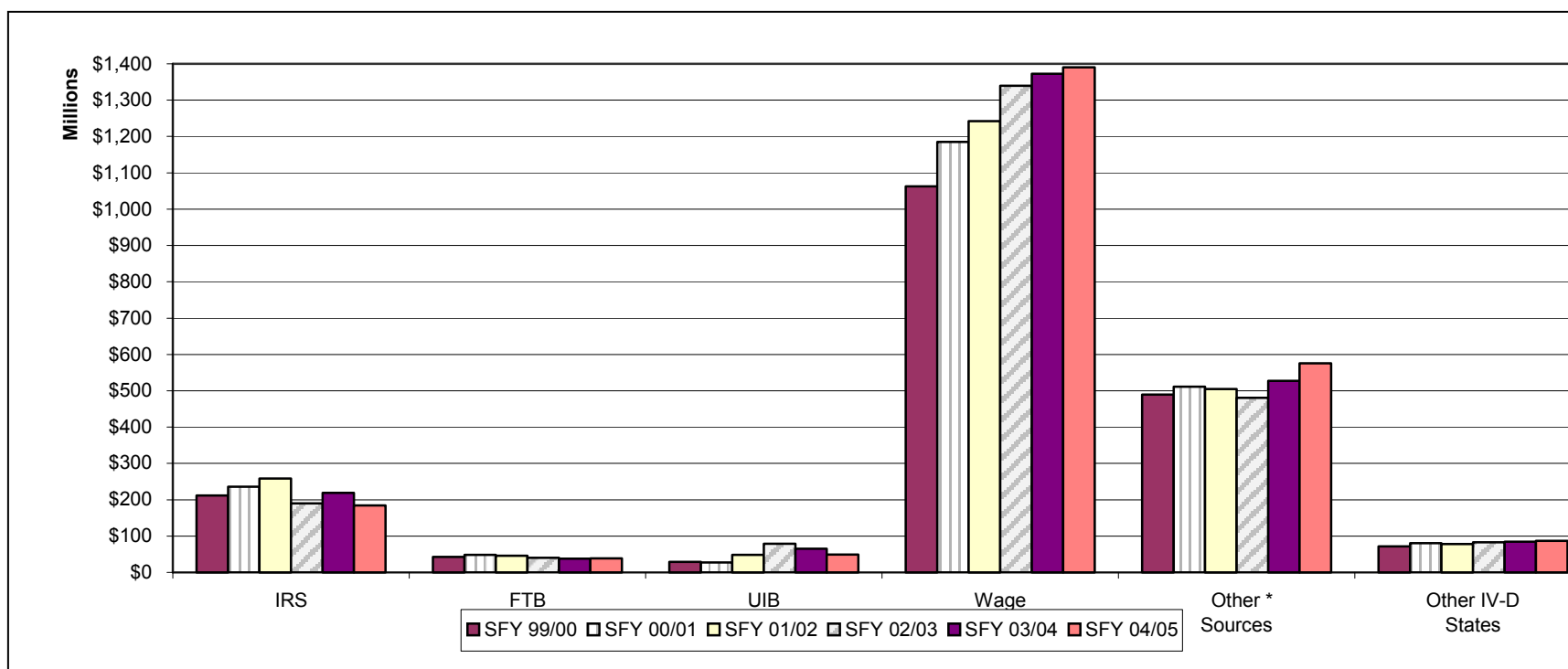
For SFY 2004-05, the total collections received were \$2.3 billion. Wage Withholding continues to be the most effective way of collecting child support at 59.8 percent (\$1.4 billion) of the total collections received. The Internal Revenue Service (IRS) Federal income tax refund offsets amounted to 7.9 percent (\$184 million), and the Franchise Tax Board's (FTB) State income tax refund offsets amounted to 1.7 percent (\$38 million). The Unemployment Insurance Benefits offsets (UIB) amounted to 2.1 percent (\$49 million), and 3.7 percent (\$87 million) represents the collections received from Other IV-D States. The remaining 24.8 percent (\$576 million) are from all Other Sources received, which includes, but is not limited to, Liens, Workers' Compensation, Disability Insurance Offsets (DIB), and Full Collections Program without wage levies. The FTB wage levies collections are included in Wage Withholding.



Source: CS 34 and CS 35 reports

HISTORICAL TOTAL COLLECTIONS RECEIVED BY SOURCE

The chart below reflects the Total Collections Received by Source from State Fiscal Year (SFY) 1999-00 through SFY 2004-05. The year-to-year change from SFY 2003-04 to SFY 2004-05 for IRS intercepts had decreased (15.8%) and FTB intercepts had increased (0.8%). The UIB intercepts had also declined (25.0 %) during the same time period. Wage Withholdings had increased (1.3%). Other Sources and Other IV-D States had also increased (8.1% and 3.2% respectively).



Source: For SFY 1999-00 thru SFY 2001-02 used reports CS 820 Section A; For SFY 2002-03 through SFY 2004-05 used reports CS 34 and CS 35 reports.

* Other Sources includes, but is not limited to, Liens, Workers' Comp., Disability Insurance Benefits, CA Insurance Intercept Program, and Full Collections Program without wage levies.

HISTORICAL INCENTIVE PERFORMANCE MEASURES

Federal incentive payments are based on the state's performance in five measures plus annual data reliability compliance. (See Federal Performance Basic Incentives premise description.) The chart below displays the minimum levels a state must meet in each performance measure to receive at least partial incentive payments. It also displays California's performance level from FFY 2001 to FFY 2005.

Performance Measure	Federal Minimum Performance Level	FFY 2001 California Performance Level	FFY 2002 California Performance Level	FFY 2003 California Performance Level	FFY 2004 California Performance Level	FFY 2005 California Performance Level
Paternity establishment percentage (IV-D caseload), or	50.0%	NA	NA	NA	NA	NA
Paternity establishment percentage (statewide PEP)	50.0%	139.6% ^{1/}	108.7%	105.9%	117.8%	109.6%
Percent of cases with orders	50.0%	71.9%	77.5%	76.3%	78.1%	80.3%
Percent of current support collected	40.0%	41.0%	42.4%	45.2%	48.0%	49.3%
Percent of cases with arrearage collections	40.0%	56.3%	54.9%	55.4%	54.9%	56.0%
Cost-effectiveness	\$2.00	\$2.61	\$1.91	\$2.31	\$2.12	\$2.15

Source: From OCSE 157 Child Support Enforcement Annual Statistical Report.

^{1/} In FFY 2001, the data was determined unreliable based on the federal Data Reliability Audit. Since FFY 2002, California has achieved data reliability compliance.

ALTERNATIVE FEDERAL PENALTY

The chart below reflects the alternative federal penalty amount paid from FFY 1998 through FFY 2005 to the federal government due to the absence of a single statewide automated child support system.

Federal Fiscal Year	State Fiscal Year	Penalty Rate	Federal Share of Admin Cost	Actual/ Estimate	Penalty Amount	Cumulative Penalty
1998 ^{1/}	1997-98	4%	299,101,576	actual	11,964,063	11,964,063
1999 ^{1/}	1998-99	8%	336,853,927	actual	26,948,314	38,912,377
2000	1999-00	16%	406,251,058	actual	65,000,169	103,912,546
2001	2000-01	25%	443,987,454	actual	110,996,864	214,909,410
2002	2001-02	30%	524,839,706	actual	157,451,912	372,361,322
2003	2002-03	30%	632,054,354	actual	189,616,306	561,977,628
2004	2003-04	30%	640,234,774	actual	192,070,432	754,048,060
2005 ^{2/}	2004-05	30%	710,873,859	actual	213,262,158	967,310,218
2006 ^{3/}	2005-06	30%	734,337,000	estimate	220,000,000	1,187,310,218

^{1/} California paid FFY 1998 and FFY 1999 penalty in SFY 1999-00, once the federal government determined the final amounts.

^{2/} The federal government allowed the State to defer the FFY 2005 penalty payment until September 2005, which is in SFY 2005-06.

^{3/} The federal government is allowing the State to defer the FFY 2006 penalty payment until September 2006, which is in SFY 2006-07.

TABLE OF CONTENTS

LOCAL CHILD SUPPORT AGENCY BASIC COSTS	3
FEDERAL PERFORMANCE BASIC INCENTIVES.....	5
SDU IMPLEMENTATION LCSA WORKLOAD	9
EDP CONVERSION AND ENHANCEMENTS.....	11
ALTERNATIVE FEDERAL PENALTY.....	13
CHILD SUPPORT COLLECTION ENHANCEMENTS (ADMINISTRATION)	15
TRANSITIONAL ARREARAGE COSTS	19
CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM – SDU.....	21
CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM – CSE.....	23
CHILD SUPPORT COLLECTIONS RECOVERY FUND	25
CHILD SUPPORT PROGRAM - BASIC COLLECTIONS	27
\$50 STATE DISREGARD PAYMENT TO FAMILIES.....	31
TRANSITIONAL \$50 DISREGARD PAYMENT TO FAMILIES	33
FULL COLLECTIONS PROGRAM.....	35
CHILD SUPPORT COLLECTION ENHANCEMENTS (COLLECTIONS).....	39
TRANSITIONAL ARREARAGE COLLECTIONS.....	43
FOSTER PARENT TRAINING FUND TRANSFER	45
TITLE IV-E CHILD SUPPORT COLLECTIONS OFFSET	47
TRANSITIONAL ARREARAGE REVENUE	49
APPENDIX A	51
APPENDIX B - LIST OF ACRONYMS.....	53

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Local Child Support Agency Basic Costs

DESCRIPTION:

This premise reflects funding for the local child support agency (LCSA) basic costs. LCSA basic costs are comprised of two components: Administrative costs and Electronic Data Processing (EDP) maintenance and operation (M&O). LCSA Administrative costs include salaries and benefits of county staff and operating costs. These administrative duties include case intake, collection and distribution of child support, court preparation to establish paternity and support obligations, and the enforcement of support obligations, including locating absent parents.

The LCSA EDP M&O costs include direct personnel and contract services, and the maintenance of interim automated systems allowing the continued collections of child support. All EDP M&O costs are reflected in the most recent Advance Planning Document Update (APDU).

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code (FC) Section 17704(b), FC Section 17710(a), and Welfare and Institutions (W&I) Code Section 10085(a).
- The LCSAs non-federal share of Administrative costs is adjusted by the level of federal basic incentives estimated in State Fiscal Year (SFY) 2005-06 and SFY 2006-07.

METHODOLOGY:

Administration:

For SFY 2005-06 and 2006-07, the LCSA Basic Administrative Cost is \$739,658,000, which includes \$30,000,000 comprised of \$20,000,000 Federal Financial Participation (FFP) and \$10,000,000 county match funds for each county that elects to supplement the program with local matching funds.

EDP M&O:

The LCSA EDP M&O costs for SFY 2005-06 is \$130,428,000 and for SFY 2006-07 is \$130,943,000 as reflected in the September 2005 annual APDU.

Basic Costs:

The combined total of Administrative and EDP M&O costs for SFY 2005-06 is \$870,086,000 and for SFY 2006-07 is \$870,601,000.

FUNDING:

Funding for this premise consists of 34 percent State General Fund (SGF) and federal incentives, and 66 percent FFP matching funds.

CHANGE FROM NOVEMBER:

For SFY 2005-06 and SFY 2006-07, the increase of SGF is a result of the impact of lower Federal Performance Incentives.

REASON FOR YEAR-TO-YEAR CHANGE:

The increase is due to updating EDP M&O costs and the impact of Federal Performance Incentives.

EXPENDITURES:

(in 000's)

	2005-06	2006-07
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$870,086	\$870,601
Federal	618,160	619,907
State	241,926	240,694
County	10,000	10,000
Reimbursements	0	0

Federal Performance Basic Incentives

DESCRIPTION:

This premise reflects the Federal Performance Basic Incentives. Pursuant to the Child Support Performance and Incentive Act of 1998, the federal incentives passed onto LCSAs are to be based on the five performance measures and the Data Reliability Audit (DRA) compliance. (See the Historical Incentive Performance Measures auxiliary chart A-9.)

IMPLEMENTATION DATE:

The federal performance incentive methodology was implemented October 1, 1999 and phased in over three years.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17704, Public Law (PL) 105-200.
- The federal government pays incentives based on PL 105-200 using the following criteria:
 1. The State's Collection Base

The federal incentive methodology gives a weight of "2" for all distributed collections made in current and former assistance cases and adds never assistance collections to make up the state's collection base. Federal Fiscal Year (FFY) distributed collections were used from the CSE Program Quarterly Report of Collections (OCSE 34) reports. The formula is as follows:

$$2 \times (\text{Current Support Collections} + \text{Former Assistance Collections}) + \text{Never Assistance Collections} = \text{State's Collection Base}$$

The state's incentive amount earned is based on the calculation of each performance measure level multiplied against the state's collection base.
 2. Performance Factors

The federal incentive methodology considers program performance in five areas to determine each performance level:

 - Paternity Established (Statewide PEP) =
$$\frac{\text{Out of Wedlock Children w/Paternity}}{\text{Total Out of Wedlock Children, Last Fiscal Year (FY)}}$$
 - Support Orders Established =
$$\frac{\text{Total Cases w/Support Orders}}{\text{Total Number of Cases}}$$
 - Current Support Collected =
$$\frac{\text{Total Current Support Collected}}{\text{Total Current Support Owed}}$$

KEY DATA/ASSUMPTIONS (continued):

(The previous three performance factors may each earn up to a performance level of 100 percent of the collection base.)

- Cases Paying on Arrears =
Total Cases Paying Arrears ÷ Cases with Total Arrears Due
- Cost-Effectiveness =
Total Collections ÷ Total Expenditures

(The above two performance factors may each earn up to a performance level of 75 percent of the collection base.)

3. Data Reliability Audit

The five performance measures data that the state reports annually is required to be determined complete and reliable through an audit. Failure to meet the data reliability standard in a given performance measure by a state would result in a reduction of federal incentives and the potential issuance of a performance penalty.

4. The Incentive Base Amount

Each performance level is multiplied by the collection base for each performance factor which results in an incentive base amount.

5. Comparison with Other States

The estimated maximum base for California is divided by the estimated maximum base for all states to determine California's share of the available federal incentive pool.

6. The Available Federal Incentive Pool

PL 105-200 established a set pool of available incentive funds for each FFY through FFY 2008. After FFY 2008, the available pool of federal incentive funds will be determined using the Consumer Price Index. Following are the statutorily set pool amounts for each federal fiscal year:

- | | | | |
|------------|---------------|------------|---------------|
| • FFY 2000 | \$422,000,000 | • FFY 2005 | \$446,000,000 |
| • FFY 2001 | \$429,000,000 | • FFY 2006 | \$458,000,000 |
| • FFY 2002 | \$450,000,000 | • FFY 2007 | \$471,000,000 |
| • FFY 2003 | \$461,000,000 | • FFY 2008 | \$483,000,000 |
| • FFY 2004 | \$454,000,000 | | |

7. Determining the State's Incentive Entitlement

California's percentage of the available pool, as determined in number 5, is multiplied by the available federal incentive pool to determine California's entitlement to federal incentives.

METHODOLOGY:

The federal incentives are estimated using the methodology under PL 105-200. Based on the most recent information available, it is estimated that California will be entitled to \$44,014,000 federal incentives in SFY 2005-06 and \$45,247,000 in SFY 2006-07.

FUNDING:

The federal incentives earned for SFY 2005-06 and SFY 2006-07 reduces the LCSA Basic Administrative SGF need by these same amounts. In addition, each \$1 of federal incentives can be matched with \$2 of federal funds for a total of \$129,453,000 in SFY 2005-06 and \$133,079,000 in SFY 2006-07.

CHANGE FROM NOVEMBER:

For SFY 2005-06, the decrease is based on federal incentives earned for FFY 2005.

For SFY 2006-07, the incentives are projected to decrease using updated information from FFY 2004.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2006-07, the federal incentives increased over 2005-06 due to the increase of the federal incentive pool.

EXPENDITURES:

(in 000's)

	2005-06*	2006-07*
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$0	\$0
Federal	44,014	45,247
State	-44,014	-45,247
County	0	0
Reimbursements	0	0

* The federal incentives are reflected as a non-add premise line, Federal Performance Basic Incentives, for display purposes only. The funds are reflected within the federal share of the Local Child Support Agency Basic Costs premise line.

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SDU Implementation LCSA Workload

DESCRIPTION:

This premise reflects the net costs for the new child support enforcement collection activities and distribution functions required at the LCSA level due to implementation of the State Disbursement Unit (SDU). These costs include transition induced workload, such as misdirected payments and customer service calls; trust fund reconciliation; and new non IV-D case conversions.

IMPLEMENTATION DATE:

This premise was implemented in SFY 2005-06.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 10080 and FC Section 17309.
- To determine the statewide LCSA cost impact, several LCSAs were surveyed.

METHODOLOGY:

Cost was determined from surveying several LCSAs.

FUNDING:

Funding for this premise consists of 66 percent federal funds, and 34 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2005-06, there are no changes.

For SFY 2006-07, there is no appropriation for the purposes outlined in this premise as the local SDU implementation activities will be completed in SFY 2005-06.

REASON FOR YEAR-TO-YEAR CHANGE:

This premise was for SFY 2005-06 only.

EXPENDITURES:

(in 000's)

	2005-06	2006-07
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$2,234	\$0
Federal	1,474	0
State	760	0
County	0	0
Reimbursements	0	0

EDP Conversion and Enhancements

DESCRIPTION:

The DCSS Pre-Statewide Interim Systems Management (PRISM) project is responsible for ensuring all LCSAs have an automation system that will allow them to continue their child support services while the single statewide child support automation system, known as California Child Support Automation System (CCSAS), is being developed and implemented.

DCSS was tasked with reducing the number of LCSA interim automation systems from over 30 down to 2 consolidated consortia systems: ACSES Replacement System (ARS), and Computer Assisted Support Enforcement System (CASES).

DCSS is charged with continuing to monitor maintenance and operations and direct enhancements to the 2 remaining consortia systems. This premise reflects costs to modify ARS and CASES consortia systems to meet Federal and State regulatory, policy, and reporting requirements for CCSAS Version 1.

IMPLEMENTATION DATE:

This premise was implemented April 1, 1998.

KEY DATA/ASSUMPTIONS:

Authorizing statute: W&I Code Section 10085.

Conversions

- As reported in the September 2005 As Needed APDU, DCSS has completed the conversion of the local systems to the two consolidated consortia systems: ARS and CASES.

Enhancements

- Enhancements needed for State mandates, and other business needs, are included in this premise. The total funding request for the ARS and CASES modifications in 2005-06 is \$4,231,000.
- Enhancements needed for system queries related to Transitional Arrearage payments and to track transitional arrearage payments are \$2,000,000 in SFY 2006-07.

METHODOLOGY:

The costs are based on the most recent annual APDU. Funding:

- Costs for this premise are fully funded with SGF. The Administration for Children and Families (ACF) will not participate in the share of costs for enhancements or converted systems previously paid with federal funds.

CHANGE FROM NOVEMBER:

For SFY 2005-06, there is no change.

For SFY 2006-07, modifications are expected to cost \$2,000,000 related to Transitional Arrearage payments.

REASON FOR YEAR-TO-YEAR CHANGE:

The SFY 2006-07, modifications are expected to cost \$2,000,000 related to Transitional Arrearage payments.

EXPENDITURES:

(in 000's)

	2005-06	2006-07
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$4,231	\$2,000
Federal	0	0
State	4,231	2,000
County	0	0
Reimbursements	0	0

Alternative Federal Penalty

DESCRIPTION:

This premise reflects the alternative federal penalty for failure to have in place by October 1, 1997 a single statewide automated child support system as required by federal law. California has been subjected to federal fiscal penalties since FFY 1998 and began paying penalties in SFY 1999-00.

Pursuant to PL 105-200, the Child Support Performance and Incentive Act of 1998, allows the Secretary of the Department of Health and Human Services to waive current penalties and impose an alternative penalty if states have made good faith efforts to meet the federal automation requirements. California is operating under the alternative penalty structure. The penalty amounts are currently assessed at 30 percent of the total amount of federal funds claimed under Title IV-D.

IMPLEMENTATION DATE:

This premise was implemented in SFY 1999-00.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 10088(a).
- The FFY 2005 federal penalty imposed is based on 30 percent of the FFY 2004 federal funds claimed under Title IV-D.
- On May 13, 2004, the ACF approved California's request to defer the FFY 2005 penalty payment from SFY 2004-05 to September 2005.
- The FFY 2006 federal penalty imposed is based on 30 percent of the estimated FFY 2005 federal funds claimed under Title IV-D. On March 25, 2005, the ACF approved another request that allowed the State to defer the FFY 2006 penalty payment from SFY 2005-06 to September 2006.

METHODOLOGY:

- California paid a penalty amount of \$213,262,000 for FFY 2005. This cost was calculated by using the actual FFY 2005 federal expenditures of \$710,874,000, times the penalty rate of 30 percent.
- The SFY 2006-07 cost is estimated to be \$220,000,000 which is the estimated federal penalty for FFY 2006. This cost was calculated using the projected FFY 2005 federal expenditures of \$734,337,000, times the penalty rate of 30 percent. This payment will be made in September 2006.

FUNDING:

The federal penalty costs are funded with 100 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2005-06, the decrease in the penalty resulted from actual expenditures being less than estimated for FFY 2005.

For SFY 2006-07, the estimate has not changed.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2006-07, the increase from the prior year is due to an increase in estimated expenditures.

EXPENDITURES:

(in 000's)

	2005-06	2006-07
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$213,262	\$220,000
Federal	0	0
State	213,262	220,000
County	0	0
Reimbursements	0	0

Child Support Collection Enhancements (Administration)

DESCRIPTION:

Chapter 225, Statutes of 2003 enhanced child support collections by: (1) establishing the Compromise of Arrears Program (COAP) to compromise arrears and interest owed as reimbursement for public assistance; (2) enhancing the Financial Institution Data Match (FIDM) program to include cases with active wage assignments and simplifying the process to liquidate securities held by financial institutions; (3) amending the Low-Income Adjustment to the child support guideline; and (4) reducing the Presumed Income level used to establish a support order when no other income information is available, to minimum wage.

This premise provides funds to LCSAs for the activities associated with COAP and changes to the Presumed Income level.

Due to the extensive activity involved in developing and refining COAP, the statewide program implementation date was delayed until July 1, 2005. In the meantime, Interim (I)-COAP was implemented in March 2004. I-COAP allowed a compromise of arrears in arrears-only cases in exchange for a single lump sum payment. Also, a pilot program of COAP was implemented January 2004 in five LCSAs: Amador, San Diego, Santa Cruz/San Benito, Solano, and Sonoma.

IMPLEMENTATION DATE:

This premise was implemented on August 11, 2003; under current statute, the COAP sunsets on January 1, 2007. The Department has proposed trailer bill language to extend the program until June 30, 2008, and includes new language that states: "Local Child Support Agencies will honor repayment schedules for the compromise program beyond the sunset date of June 30, 2008, in order to allow for successful completion of these compromise agreements."

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17560.

COAP

- Assumes county caseworkers spend on average approximately 452 hours per year reviewing COAP applications for each of the 58 counties.
- Assume \$36 an hour for a fully loaded caseworker (includes all operating costs, direct services, and administration).

KEY DATA/ASSUMPTIONS (continued):

Presumed Income Adjustment

- Assume 64,905 cases paid and require review. This assumes that 50 percent of the 1,434,766 cases with support orders established (CS 157 Report, 12/02) were post-1997 established (when presumed income began), 70 percent of those cases were established by default, 47 percent of those default cases used presumed income, 50 percent of those cases would not be set aside because they had a collection over one year ago, and the 55 percent of the remaining cases a payment would be received and reviewed by an LCSA staff ($1,434,766 * 50\% * 70\% * 47\% * 50\% * 55\% = 64,905$).
- Assume one half-hour review time at \$17.72 per case based on an LCSA caseworker hourly wage.
- Assume 40 percent of the cases reviewed would qualify to be filed in court for set aside ($64,905 * 40\% = 25,962$).
- Assume two hours to file at \$70.87 per case based on an LCSA caseworker hourly wage.

Low Income Adjustment

- DCSS assumes that the Administrative costs for Low Income Adjustments are included in the case review process for Presumed Income.

Federal Incentives Impact

- Assume performance level in current support payments and arrears support payments would improve as a result of this premise.

METHODOLOGY:

COAP

- The hours of review (26,250) was multiplied by the average hourly caseworker cost of \$36 resulting in a total cost of \$945,000 for both SFY 2005-06 and SFY 2006-07.

Enhanced FIDM

- Enhanced FIDM administration federal share of costs are reflected in the DCSS state operations budget. Enhanced FIDM administration has been transferred from FTB to DCSS July 1, 2005. Prior to the transfer, the 34 percent SGF share of costs were reflected in the FTB state operations budget.

METHODOLOGY (continued):

Presumed Income Adjustment

- Applied the half-hourly wage of \$17.72 to the 64,905 cases that would be reviewed by LCSA caseworkers resulting in a cost of \$1,150,000. In addition, 40 percent of those cases (25,962) would require two additional hours of LCSA caseworker review at \$70.87 to file in court for set aside. This would result in additional costs of \$1,840,000. The combined total cost is \$2,990,000 for both SFY 2005-06 and SFY 2006-07.

Federal Incentives Impact (specifically related to COAP collections)

- For SFY 2005-06, the estimated federal incentives of \$1,002,000 were used to correspond to the revised COAP collection forecast.
- For SFY 2006-07, the previously estimated incentive funds of \$1,398,000 were used to correspond to the revised COAP collection forecast.

FUNDING:

The administration costs are funded with 66 percent FFP and 34 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2005-06 and SFY 2006-07, there is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

EXPENDITURES:

(in 000's)

	2005-06	2006-07
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$3,935	\$3,935
Federal	3,599	3,995
State	336	-60
County	0	0
Reimbursements	0	0

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Transitional Arrearage Costs

DESCRIPTION:

As counties transition to the State Disbursement Unit (SDU), the timeliness of recording child support payments will be affected. The Code of Federal Regulations (CFR) requires the use of the date of receipt by the SDU for non-employer withheld payments. DCSS has elected to use date of receipt as the legal date of collection for all payments, including employer withheld payments. This will enable the SDU to automate the receipt processing of collections and will result in a consistent and efficient application of payments throughout the state.

Changing the legal date of collection from date of withholding to date of receipt creates an arrearage for cases where the withholding occurred in one month and the date of receipt occurred in the following month. To mitigate the impact of transitional arrearage in these cases, the department will pay the transitional arrearage in the month it was withheld and record the payment in the month the payment was received by the SDU. At the end of the child support obligation, the non-custodial parents will be required to pay back the transitional payment.

IMPLEMENTATION DATE:

This will be implemented in SFY 2006-07.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: CFR, Section 302.51 (4)(i) and (ii).
- The child support payment data is based on a query of CASES and ARS systems which report the number of cases where a non-custodial parent is paid monthly. For these cases, the change to date of SDU receipt can create an arrearage.
- The LCSA will have additional administrative activities to send notices to impacted non-custodial parents, set up accounts to receive transitional payments, and receive customer inquiries regarding the transitional payments.

METHODOLOGY:

- LCSA administrative costs were estimated using the potential number of non-custodial parents of 90,000 multiplied by printing and mailing costs for notices and additional caseworker time to set up accounts and handle additional customer inquiries. The costs for additional LCSA administrative activities totals \$1,537,000.

METHODOLOGY (continued):

- Payments: Based on a query of CASES and ARS systems, 90,000 non-custodial parents and \$23 million of child support payments would be impacted by the change of legal date of collection resulting in arrearages. The State will pay the transitional arrearage for each account in the month of transition and record the payment in the month the payment was received by the SDU. The payment will be made with 100 percent SGF.

FUNDING:

- LCSA administration costs are funded with 66 percent FFP and 34 percent SGF.
- The transitional arrearage payment is 100 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2006-07, this is a new premise.

REASON FOR YEAR-TO-YEAR- CHANGE:

This premise begins in SFY 2006-07.

EXPENDITURES:

(in 000's)

	2005-06	2006-07
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$0	\$1,537
Federal	0	1,014
State	0	523
County	0	0
Reimbursements	0	0

CHILD SUPPORT PAYMENTS:

(in 000's)

	2005-06	2006-07
	<u>CS Payments</u>	<u>CS Payments</u>
Total	\$0	\$23,000
Federal	0	0
State	0	23,000
County	0	0
Reimbursements	0	0

California Child Support Automation System – SDU

DESCRIPTION:

The State Disbursement Unit (SDU) is one of two components of the single statewide child support system. The Child Support Enforcement (CSE) component provides the case management system for the statewide automated system. The SDU complements the CSE component by providing services to collect and distribute child support obligation payments for both the IV-D and Non IV-D populations, and to prepare collection payment transactions for processing by the CSE system.

Chapter 479 of the Statutes of 1999 requires FTB to procure the CCSAS-SDU. This premise provides the funds necessary to support, 1) the SDU Service Provider (SP) contract, 2) the LCSA staff assigned to the CCSAS-SDU project as subject matter experts (SME), 3) the technical staff for the planning and implementation, and 4) the procurement activities of FTB.

IMPLEMENTATION DATE:

This premise was implemented September 1999.

KEY DATA/ASSUMPTIONS:

- Authorizing statute(s): W&I Code Section 10080 and FCSection 17309.
- The federal fund pass-through to FTB includes costs for FTB staff.
- There are two LCSA SMEs for the collection and distribution activities and one technical staff for the planning and implementation.
- Reflects costs for the SP contract to develop, implement, and perform statewide collection and distribution activities.

METHODOLOGY:

- Resource estimates are based on workload required to support the planning activities for the procurement and the implementation of the CCSAS-SDU.
- SP costs are based on the most recent SDU Special Project Report (SPR#2) and related Economic Analysis Worksheets (EAWs).

FUNDING:

- The Title IV-D federal funds passed through to FTB for CCSAS-SDU represent 66 percent funding for project planning costs.
- The funds to support LCSA staff and the SP contract are funded at 66 percent federal funds, and 34 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2005-06 and SFY 2006-07, the increase is due to increased costs for the service provider reflecting changes to the Non IV-D collections processing and outreach, a one-month postponement of transitioning Los Angeles to the SDU, as requested by the county, and a change in the SP rates for the implementation of Non IV-D payment processing from August 2006 through July 2007.

REASON FOR YEAR-TO-YEAR CHANGE:

The increase in SFY 2006-07 is due to increased costs for the service provider and reflects changes in the implementation strategy.

EXPENDITURES:

(in 000's)

	2005-06	2006-07
	<u>CS Automation</u>	<u>CS Automation</u>
Total	\$22,016	\$48,703
Federal	14,620	31,889
State	7,396	16,814
County	0	0
Reimbursements	0	0

California Child Support Automation System – CSE

DESCRIPTION:

Pursuant to W&I Code Section 10080(b)(3), FTB has been designated, as the agent for the DCSS project owner, as the entity responsible for the procurement, development, implementation, and maintenance of the single statewide automated system in accordance with the state's child support (Title IV-D) plan.

This premise reflects the federal funds pursuant to AB 150 (Chapter 479, Statutes of 1999) as a pass through to the FTB for the development and implementation of the CCSAS-CSE component. DCSS is the single state agency for the Title IV-D funds; therefore, federal funds for CCSAS are budgeted by DCSS and passed through as a reimbursement to FTB. The SGF match is budgeted by FTB.

In addition, this premise reflects the federal funds and SGF to backfill LCSA staff who are assigned full-time to the CCSAS project as SMEs for child support program business practices and CSE system functionality.

IMPLEMENTATION DATE:

This premise was implemented September 1999.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 10080.
- The pass-through to FTB includes costs for FTB staff as well as the IBM Alliance Business Partner (BP) contract cost.
- DCSS has contracted with LCSAs to provide SMEs on site full time in Sacramento to support the CCSAS-CSE project, and have SMEs available for consultation throughout the life of the project.

METHODOLOGY:

This premise reflects the most recent submitted March 1, 2006, State APDU Supplement, CSE SPR #6, and related EAWs. It also includes changes required to implement the Transitional Arrearage payment processing.

FUNDING:

- The Title IV-D federal funds passed through to FTB for CCSAS-CSE represent 66 percent funding for project implementation costs.
- The post conversion costs for the LCSAs are funded 66 percent federal funds and 34 percent SGF.
- The funding required to support the intermittent use of LCSA SMEs are funded 66 percent federal funds and 34 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2005-06 and 2006-07, the increase is due to critical changes needed to obtain federal certification.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2006-07, the increase is due to critical changes needed to obtain federal certification, and to record transitional arrearage repayments.

EXPENDITURES:

(in 000's)

	2005-06	2006-07
	<u>CS Automation</u>	<u>CS Automation</u>
Total	\$150,064	\$153,628
Federal	148,923	150,536
State	1,141	3,092
County	0	0
Reimbursements	0	0

Child Support Collections Recovery Fund

DESCRIPTION:

This premise reflects the estimated federal share of Title IV-A child support collections, which are utilized to fund the federal share of local assistance administrative funds to LCSAs.

The Child Support Collections Recovery Fund (CSCRF) includes Title IV-A and Title IV-E child support collections. The Title IV-E share of the CSCRF is reflected in the California Department of Social Services' local assistance budget.

IMPLEMENTATION DATE:

This premise was implemented July 2001.

KEY DATA/ASSUMPTIONS:

Authorizing statute: FC Section 17702.5.

METHODOLOGY:

- For SFY 2005-06, the CSCRF (\$272,829,000) are based on the estimated sum of the federal share of child support assistance collections (\$287,708,000) less the estimated sum of the federal share of foster care collections (\$14,879,000).
- For SFY 2006-07, the CSCRF (\$273,385,000) are based on the estimated sum of the federal share of child support assistance collections (\$288,289,000) less the estimated sum of the federal share of foster care collections (\$14,904,000).

FUNDING:

This premise is funded as the federal share of the Title IV-A child support collections in the Child Support Revenues, Transfers and Collections tables.

CHANGE FROM NOVEMBER:

For SFY 2005-06, the decrease is due to the lower forecasts of Assistance Child Support Collections. For SFY 2006-07, the increase reflects an increase of forecasted Assistance Child Support Collections.

REASON FOR YEAR-TO-YEAR CHANGE:

The increase in SFY 2006-07 is due to the projected increase in assistance collections.

REVENUES:

(in 000's)

	2005-06 <u>Revenues</u>	2006-07 <u>Revenues</u>
Total	\$272,829	\$273,385
Federal	272,829	273,385
State	0	0
County	0	0
Reimbursements	0	0

Child Support Program - Basic Collections

DESCRIPTION:

This premise reflects the various sources of basic distributed child support collections that go directly to families. In addition, it reflects the amount of revenue collected on behalf of federal, state, or county government for the recoupment of past welfare costs.

Basic collections represent the ongoing efforts of the LCSA to collect child support payments from non-custodial parents and distribute those payments either directly to families, or to federal, state, and county government to repay past welfare costs. Besides child support payment data, significant factors that affect basic collections include minimum awards, wage assignments, and intercepts. The Full Collections Program collections and the \$50 State Disregard Payments to Families are reflected as separate premises.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 11477.
- The child support payment data for assistance and nonassistance collections are based on the CS 34 Monthly Report of Collections and Distributions, and the CS 35 Supplement to Monthly Report of Collections and Distribution beginning January 2004 through December 2005.
- Assumes assistance collections are 29 percent and nonassistance collections are 71 percent of total collections based on SFY 2004-05 actual collection data.
- The child support collections to other states and miscellaneous collections data are based on SFY 2004-05 actual data. The data is reported monthly on the CS 34 and CS 35 Reports.

METHODOLOGY:

- Actual assistance distributed collections are reported monthly on the CS 34 and CS 35 Reports. \$50 Disregard payments to families are reported on the monthly CS 35 Reports. These were used to construct a 24-month trend from January 2004 through December 2005. Seasonal adjustments were made to the data by using monthly dummy variables in the linear regression model.
- Actual nonassistance distributed collections are reported monthly on the CS 34 and CS 35 Reports. Actuals from the January 2004 through December 2005 CS 34 and CS 35 Reports were used to construct a 24-month trend. Seasonal adjustments were made to the data by using monthly dummy variables in the linear regression model.

METHODOLOGY (continued):

- Assistance Collections for Other States are reported on the CS 34 and CS 35 Reports. For SFY 2005-06 and SFY 2006-07, the trend forecasts growth of assistance collections were applied to the SFY 2004-05 actuals to arrive at \$3,041,000 in SFY 2005-06 and \$3,011,000 for SFY 2006-07.
- Nonassistance Collections for Other States are reported on the CS 34 and CS 35 Reports. For SFY 2005-06 and SFY 2006-07, the trend forecasts growth of nonassistance collections were applied to the SFY 2004-05 actuals to arrive at \$111,216,000 in SFY 2005-06 and \$115,109,000 for SFY 2006-07.
- Assistance Miscellaneous Collections consists of Assistance Medical Support, Pass-On, and Excess Collections. Pass-On and Excess Collections are reported on the CS 35 Report. Medical Support is reported on the CS 34 Report. For SFY 2005-06 and SFY 2006-07, the trend forecasts growth of assistance collections were applied to SFY 2003-04 actuals to arrive at Assistance Miscellaneous Collections for SFY 2005-06 of \$3,747,000 and \$3,710,000 for SFY 2006-07.
- The Nonassistance Miscellaneous Collections consist of Nonassistance Medical Support which is reported on the CS 34 Report. For SFY 2005-06 and SFY 2006-07, the trend forecasts growth of nonassistance collections were applied to the SFY 2004-05 actuals to arrive at Nonassistance Miscellaneous Collections for SFY 2005-06 of \$1,136,000 and \$1,176,000 for SFY 2006-07.

FUNDING:

- Collections made on behalf of nonassistance families are forwarded directly to custodial parents.
- Collections made on behalf of other states are forwarded directly to other states for distribution.
- Collections for assistance families are retained and serve as recoupment of past welfare costs.
- The assistance collections are shared based on the Federal Medical Assistance Percentage (FMAP). See Appendix A for detail.

CHANGE FROM NOVEMBER:

The November 2005 Estimate was based on 24 months of trend data: July 2003 through June 2005. For this estimate, the trend data was updated to the most recent 24 months of trend data, January 2004 through December 2005, as this data is more reflective of current collection activities in the local child support agencies. This change resulted in an increase of projected collections for SFY 2005-06 and SFY 2006-07. It is the Department's intent to continue to use the most current trend data to project collections.

REASON FOR YEAR-TO-YEAR CHANGE:

The SFY 2006-07 increase is due to the overall projected growth in nonassistance collections based on historical trend.

COLLECTIONS:

(in 000's)

	2005-06 <u>Collections</u>	2006-07 <u>Collections</u>
Assistance Total	\$595,797	\$592,257
Federal	274,202	272,573
State	286,805	285,100
County	34,790	34,584
Other	0	0
NonAssistance	1,575,403	1,638,265
Collections For Other States		
Assistance	3,041	3,011
NonAssistance	111,216	115,109
Miscellaneous Collections		
Assistance	3,747	3,710
NonAssistance	1,136	1,176
Grand Total ^{1/}	\$2,290,340	\$2,353,528

1/ Grand Total does not include Full Collections Program, \$50 Disregard, or other collections described in separate premise items.

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\$50 State Disregard Payment to Families

DESCRIPTION:

In addition to the California Work Opportunity and Responsibility to Kids (CalWORKs) grant, custodial parents also receive the first \$50 of the current month's child support payment collected from the absent parent. Under the provision of PL 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, the federal government discontinued FFP in the disregard payment to the family as of October 1, 1996. Forwarding the disregard portion of the collection to the family instead of retaining it as revenue to the State results in reduced collection revenues.

IMPLEMENTATION DATE:

This premise was implemented in SFY 1984-85.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17504.
- The child support payment data are based on monthly CS 35 reports, Assistance Related Distribution/Disbursement Summary, beginning with January 2004 through December 2005.

METHODOLOGY:

- The cost of the current \$50 disregard is reported monthly on the CS 35 reports. The disregard is paid when the current monthly child support collection is distributed.
- The forecast was generated utilizing 24 months of data from the CS 35 reports, from January 2004 through December 2005.
- The cost is counted toward the State's TANF Maintenance of Effort (MOE) requirement.

FUNDING:

- The collection revenues associated with the \$50 disregard are 100 percent SGF.
- The costs are reflected in CDSS budget as additional TANF/MOE expenditures.
- Funding source for the costs are reflected in DCSS collections table as "Other" to display the amount of collections paid to the families.

CHANGE FROM NOVEMBER:

For SFY 2005-06 and SFY 2006-07, the disregard payments decreased because actual trend data is decreasing.

REASON FOR YEAR-TO-YEAR CHANGE:

The increase reflects current trends in the \$50 disregard payments.

COLLECTIONS:

(in 000's)

	2005-06 <u>Collections</u>	2006-07 <u>Collections</u>
Total	\$30,690	\$31,425
Federal	0	0
State	0	0
County	0	0
Other	30,690	31,425

Transitional \$50 Disregard Payment to Families

DESCRIPTION:

As counties transition to the State Disbursement Unit (SDU), the timeliness of crediting child support payments and passing on the \$50 Disregard to families will be affected. For example, before the implementation of the SDU, LCSAs credited child support payments by the date of withholding, whereas the SDU will credit the payment by the date of receipt. This could potentially mean that a child support payment made at the end of a month might not be credited until the following month when it is actually received by the SDU, resulting in a month with no child support payment credited. This would mean that no \$50 disregard payment would be made to the custodial parent and the non-custodial parent would incur transitional arrearages. Because of this, the State will make a one-time \$50 Disregard payment to each of those cases impacted.

IMPLEMENTATION DATE:

This will be implemented in SFY 2006-07.

KEY DATA/ASSUMPTIONS:

The child support payment data is based on a query of CASES and ARS systems which report the number of cases where a non-custodial parent is paid monthly and has a wage withholding and the custodial parent is an assistance case.

METHODOLOGY:

The number of cases where a non-custodial parent is paid monthly and has a wage withholding and the custodial parent is an assistance case is multiplied by \$50 resulting in a one-time cost of \$50 Disregard paid to families.

FUNDING:

100 percent State General Fund.

CHANGE FROM NOVEMBER:

For SFY 2006-07, this is a new premise.

REASON FOR YEAR-TO-YEAR- CHANGE:

This is a one-time cost for SFY 2006-07.

COLLECTIONS:
(in 000's)

	<u>2005-06</u> <u>Collections</u>	<u>2006-07</u> <u>Collections</u>
Total	\$0	\$-1,494
Federal	0	0
State	0	-1,494
County	0	0
Other	0	0

Full Collections Program

DESCRIPTION:

This premise reflects the non-tax collections obtained by the Full Collections Program resulting from cases that are delinquent in child support payments by 60 days pursuant to Senate Bill (SB) 542 (Chapter 480, Statutes of 1999), effective January 1, 2000. AB 3589 (Chapter 1223, Statutes of 1992) implemented the project. The Full Collections Program sends demand for payment notices and processes bank, wage and miscellaneous levies on accounts for child support collections based on county referrals.

In addition, AB 702 (Chapter 697, Statutes of 1997) required a data match between the FTB and financial institutions doing business in the State. Its purpose was to discover and levy otherwise unknown assets of delinquent child support obligors. The data match was required by federal mandate, PL 104-193.

FTB program costs were funded through the Department's state operations at 66 percent federal financial participation and 34 percent SGF and were passed on to FTB through an interagency agreement until July 1, 2005. The Full Collections Program was transferred from FTB to DCSS July 1, 2005.

IMPLEMENTATION DATE:

March 1, 1993 – Non-Financial Institution Data Match (Non-FIDM)

July 1, 1998 – FIDM

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17501; Revenue and Taxation Code Sections 19271.5(a) and 19271.6.
- The estimated collections were provided by Full Collections Program based on prior actual experience. The Non-FIDM estimate was reduced in SFY 2006-07 to reflect the updated assumption regarding Full Collections Program activities for demand and wage withholdings.
- The assistance and nonassistance distribution ratios are based on the SFY 2004-05 CS 34 Monthly Report of Collections and Distributions, and CS 35 Supplement to Monthly Report of Collections and Distribution data.

FIDM Collections

- Collections are based on data provided by the Full Collections Program as a result of banks and other financial institutions' participation.

KEY DATA/ASSUMPTIONS (continued):

Non-FIDM Collections

- Collections are based on demands, bank levies, wage levies, out-of-state referral notices, and out-of-state contract collections provided by the Full Collections Program.

METHODOLOGY:

FIDM Collections

- For SFY 2005-06, the total FIDM collections (\$26,000,000) were multiplied by the assistance ratio of 29 percent resulting in an assistance collection amount of \$7,540,000. The same total FIDM collection amount of \$26,000,000 was multiplied by the nonassistance ratio of 71 percent resulting in a nonassistance collection amount of \$18,460,000.
- For SFY 2006-07, the total FIDM collections (\$26,500,000) were multiplied by the assistance ratio of 29 percent resulting in an assistance collection amount of \$7,685,000. The same total FIDM collection amount of \$26,500,000 was multiplied by the nonassistance ratio of 71 percent resulting in a nonassistance collection amount of \$18,815,000.

Non-FIDM Collections

- For SFY 2005-06, the total non-FIDM collections (\$14,500,000) were multiplied by the assistance ratio of 29 percent resulting in an assistance collection amount of \$4,205,000. The remaining 71 percent are estimated nonassistance collections of \$10,295,000.
- For SFY 2006-07, the total non-FIDM collections (\$4,500,000) were multiplied by the assistance ratio of 29 percent resulting in an assistance collection amount of \$1,305,000. The remaining 71 percent are estimated nonassistance collections of \$3,195,000.

Net Collections

- For SFY 2005-06, the combined total of assistance non-FIDM collections (\$4,205,000), and FIDM collections (\$7,540,000) totals \$11,745,000. The nonassistance non-FIDM collections (\$10,295,000) and FIDM (\$18,460,000) totals \$28,755,000.
- For SFY 2006-07, the combined total of assistance non-FIDM collections (\$1,305,000), and FIDM (\$7,685,000) totals \$8,990,000. The nonassistance non-FIDM collections (\$3,195,000) and FIDM (\$18,815,000) totals \$22,010,000.

FUNDING:

The assistance collections are shared based on the FMAP. See Appendix A for detail.

CHANGE FROM NOVEMBER:

For SFY 2005-06, the non-FIDM collections were increased to reflect the carryover of three months of activities on wage withholdings, through September 30, 2005, by the Full Collections Program. The appropriation for SFY 2005-06 assumed activities on wage withholdings would end July 1, 2005. These activities are being performed by the LCSAs and the collections are reflected in Basic Collections.

For SFY 2006-07, the non-FIDM collections were decreased because the carryover activities are no longer included.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2006-07, the non-FIDM collections were decreased because the carryover activities are no longer included.

COLLECTIONS:

(in 000's)

	2005-06 <u>Collections</u>	2006-07 <u>Collections</u>
Assistance Total	\$11,745	\$8,990
Federal	5,398	4,132
State	5,643	4,319
County	704	539
Other	0	0
NonAssistance	28,755	22,010
Combined Total	\$40,500	\$31,000

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Child Support Collection Enhancements (Collections)

DESCRIPTION:

Pursuant to AB 1752 (Chapter 225, Statutes of 2003) the Legislature adopted four proposals to enhance child support collections. The proposals included:

(1) establishment of COAP by DCSS to compromise arrears and interest owed as reimbursement for public assistance; (2) enhancement of the FIDM program to include cases with active wage assignments and simplification of the process to liquidate securities held by financial institutions; (3) changes to the Low-Income Adjustment to the child support guideline; and (4) reduction of the Presumed Income level, used to establish a support order when no other income information is available, from the Minimum Basic Standard of Adequate Care to minimum wage.

This premise reflects the child support collections resulting from the COAP, Enhanced FIDM program, Low-Income Adjustment program, and the Presumed Income program.

Due to the extensive activity involved in developing COAP, the statewide program implementation date was delayed until July 1, 2005. In the meantime, I-COAP was implemented in March 2004. I-COAP allowed a compromise of arrears in arrears-only cases in exchange for a single lump sum payment. A pilot program of COAP was implemented in January 2004 in five LCSAs: Amador, San Diego, Santa Cruz/San Benito, Solano, and Sonoma. Since the pilot program has been implemented, collections of \$4,500,000 have been received.

IMPLEMENTATION DATE:

This premise was implemented on August 11, 2003; under the current statute, the COAP sunsets on January 1, 2007. The Department has proposed trailer bill language to extend the program to June 30, 2008, and included new language that states: "Local Child Support Agencies will honor repayment schedules for the compromise program beyond the sunset date of June 30, 2008, in order to allow for successful completion of these compromise agreements."

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17560.

COAP

- Assumed caseload will be 2,899 for SFY 2005-06 and 4,200 for SFY 2006-07.

KEY DATA/ASSUMPTIONS (continued):

Enhanced FIDM

- Due to delayed implementation in SFY 2004-05, assume collections from Enhanced FIDM for seven months of backlog cases. For SFY 2005-06, assume collections from five months of backlog cases and seven months of ongoing cases.

Presumed Income Adjustment and Low Income Adjustment

- DCSS assumes collecting 60 percent of Current Support due of 20 percent of Default Cases with Presumed Income collected of which 33 percent are Assistance Collections. Of the Assistance Collections, 80 percent are assumed Presumed Income Adjustment and 20 percent are assumed Low Income Adjustments.

METHODOLOGY:

COAP

DCSS assumes arrearage collections of approximately \$1,768,000 (\$851,000 SGF) in SFY 2005-06 and \$2,561,000 (\$1,233,000 SGF) in SFY 2006-07.

Enhanced FIDM

Enhanced FIDM collections were based on previous experience with the existing FIDM program. Implementation was delayed, resulting in seven months of collections for SFY 2004-05 and 12 months of collections for SFY 2005-06 and 2006-07. It is assumed that \$2,248,000 (\$1,082,000 SGF) will be collected for SFY 2005-06 and \$2,393,000 (\$1,152,000 SGF) will be collected for SFY 2006-07.

Presumed Income Adjustment

DCSS assumes collecting 60 percent of Current Support Due (\$240) of 20 percent of Default Cases (118,010) with Presumed Income collected of which 33 percent are Assistance collections, \$13,600,000 (\$6,300,000 SGF) and 80 percent are Presumed Income Adjustment \$10,878,000 (\$5,236,000 SGF) for both SFY 2005-06 and SFY 2006-07.

Low Income Adjustment

DCSS assumes collecting 60 percent of Current Support Due (\$240) of 20 percent of Default Cases (118,010) with Presumed Income collected of which 33 percent are Assistance collections, \$13,600,000 (\$6,300,000 SGF) and 20 percent are Low Income Adjustment, \$2,720,000 (\$1,309,000 SGF) for both SFY 2005-06 and SFY 2006-07.

FUNDING:

The assistance collections are shared based on the FMAP. See Appendix A for detail.

CHANGE FROM NOVEMBER:

For SFY 2005-06 and SFY 2006-07, the estimates were updated using actual applications and collections through January 2006. Collections per application were used to forecast a growing caseload for COAP in SFY 2005-06 and a full caseload in SFY 2006-07.

REASON FOR YEAR-TO-YEAR CHANGE:

The increase in collections is due to greater implementation of COAP in SFY 2006-07.

REVENUES:

(in 000's)

	2005-06	2006-07
	<u>Revenues</u>	<u>Revenues</u>
Total	\$17,614	\$18,552
Federal	8,108	8,539
State	8,478	8,930
County	1,028	1,083
Reimbursements	0	0

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Transitional Arrearage Collections

DESCRIPTION:

As counties transition to the State Disbursement Unit (SDU), the timeliness of recording child support payments will be affected. The Code of Federal Regulations (CFR) requires the use of the date of receipt by the SDU for non-employer withheld payments. DCSS has elected to use date of receipt as the legal date of collection for all payments, including employer withheld payments. This will enable the SDU to automate the receipt processing of collections and will result in a consistent and efficient application of payments throughout the state.

Changing the legal date of collection from date of withholding to date of receipt creates an arrearage for cases where the withholding occurred in one month and the date of receipt occurred in the following month. To mitigate the impact of transitional arrearage in these cases, the department will pay the transitional arrearage in the month it is withheld and record the payment in the month the payment is received by the SDU. At the end of the child support obligation, the last payment will be used to pay back the transitional payment.

IMPLEMENTATION DATE:

This will be implemented in SFY 2006-07.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: CFR, Section 302.51 (4)(i) and (ii).
- The child support payment data is based on a query of CASES and ARS systems which report the number of cases where a non-custodial parent is paid monthly. For these cases, the change to date of SDU receipt can create an arrearage.

METHODOLOGY:

- Based on a query of CASES and ARS systems, 90,000 non-custodial parents and \$23 million of child support payments would be impacted by the change of legal date of collection resulting in transitional arrearages. The State will pay the transitional arrearage in the month of transition and record the payment in the month the payment is received by the SDU.
- Using distributed collection data from SFY 2004-05, the Assistance payments were determined to be 28.76% of collections, or \$6,615,000 of the \$23 million transitional collections. The Assistance collections are shared based on the FMAP.

METHODOLOGY (continued):

- Using distributed collection data from SFY 2004-05, the NonAssistance payments were determined to be 71.24% of collections, or \$16,385,000 of the \$23 million transitional collections.

FUNDING:

- Collections made on behalf of nonassistance families are forwarded directly to custodial parents.
- The assistance collections are shared based on the FMAP. See Appendix A for detail.
- The State General Fund share of collections will be offset by the amount paid for the \$50 disregard.

CHANGE FROM NOVEMBER:

For SFY 2006-07, this is a new premise.

REASON FOR YEAR-TO-YEAR- CHANGE:

This premise begins in SFY 2006-07.

COLLECTIONS:

(in 000's)

	<u>2005-06 Collections</u>	<u>2006-07 Collections</u>
Assistance Total	\$0	\$6,615
Federal	0	3,045
State	0	3,184
County	0	386
Other	0	0
NonAssistance Total	0	16,385
Grand Total	0	\$23,000

Foster Parent Training Fund Transfer

DESCRIPTION:

This premise reflects the Foster Parent Training Fund Transfer. W&I Code Section 903.7(b) provides that the difference between the net state share of the estimated child support foster care (FC) collections and the base level of the FC estimated state share of total child support collections be transferred to the Foster Children and Parent Training Fund, but not to exceed \$3,000,000.

The program is administered by the community colleges, in consultation with the California State Foster Parents Association and California Department of Social Services.

IMPLEMENTATION DATE:

This premise was implemented July 1, 1981.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 903.7(b).
- The FC estimated state share of collections, based on the sum of the estimated state share of basic assistance distributed collections and the state share of all of the child support assistance collections premises, is \$13,838,000 for SFY 2005-06, and \$13,712,000 for SFY 2006-07.
- The FC estimated state share of incentives is \$5,172,000 for SFY 2005-06, and \$5,313,000 for SFY 2006-07.
- The FC state share of collections base level cannot exceed \$3,750,000 each year based on the W&I Code Section 903.7(b).
- Effective SFY 2002-03, the amount to be transferred to the Foster Children and Parent Training Fund in a state fiscal year cannot exceed \$3,000,000 pursuant to AB 444 (Chapter 1022, Statutes of 2002).

METHODOLOGY:

- The Foster Parent Training Fund Transfer estimate is the difference between the net state share of the estimated FC collections and the base level of the FC estimated state share of total collections. The total estimated state share of FC collections is \$13,838,000 for SFY 2005-06, and \$13,712,000 for SFY 2006-07.

METHODOLOGY (continued):

- For SFY 2005-06, the net state share of FC collections, which is \$8,666,000, is the result of deducting the estimated state share of FC incentives, \$5,172,000, from the estimated state share of total FC collections. The base level of \$3,750,000 is then subtracted from the net share of FC collections to identify the amounts eligible for transfer to the Foster Parent Training Fund, \$4,916,000. Since the amount transferred in a state fiscal year cannot exceed \$3,000,000, only \$3,000,000 will be transferred.
- For SFY 2006-07, the net state share of FC collections, \$8,399,000, is the result of deducting the estimated state share of FC incentives, \$5,313,000, from the estimated state share of total FC collections. The base level of \$3,750,000 is then subtracted from the net share of FC collections to identify the amounts eligible for transfer to the Foster Parent Training Fund, \$4,649,000. Since the amount transferred in a state fiscal year cannot exceed \$3,000,000, only \$3,000,000 will be transferred.

FUNDING:

The amount transferred to the Foster Children and Parent Training Fund is derived from the state share of FC collections which is 100 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2005-06 and SFY 2006-07, there is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

REVENUES:

(in 000's)

	2005-06	2006-07
	<u>Revenues</u>	<u>Revenues</u>
Total	-\$3,000	-\$3,000
Federal	0	0
State	-3,000	-3,000
County	0	0
Reimbursements	0	0

Title IV-E Child Support Collections Offset

DESCRIPTION:

This premise reflects the estimated federal share (Title IV-E) of FC child support collections as determined by DCSS. DCSS is responsible for remitting to CSCRF the federal share of FC collections as reported to the federal government. The FC child support collections offset the Title IV-E share of FC expenditures.

IMPLEMENTATION DATE:

This premise was implemented July 1, 2000.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Social Security Act Section 457 (6)(e)(1).
- It is assumed that 7.91 percent of the total assistance child support distributed collections are FC collections and 60.12 percent of the FC collections are federally eligible. This is based on actual updated collection data reported on the CS 34 and 35 Reports, Summary Reports of Child and Spousal Support Payments for July 2004 through June 2005.
- Effective October 1, 2003, both the current and former Title IV-E Child Support Collections reduce the federal share of FC expenditures at DCSS based on federal Office of Child Support Enforcement Action Transmittal letter 03-04, dated September 26, 2003.
- The FMAP rate is assumed to be 50 percent for the period of July 1, 2005 through June 30, 2007.

METHODOLOGY:

- For SFY 2005-06, the FC share of collections percentage (7.91 percent) was applied to the estimated collections. The result was multiplied by the federal participation rate of 60.12 percent for each premise. The FMAP rate was then applied to determine the federal share of FC collections, which resulted in a forecast of \$14,879,000.
- For SFY 2006-07, the FC share of collections percentage (7.91 percent) was applied to the estimated collections. The result was multiplied by the federal participation rate of 60.12 percent for each premise. The FMAP rate was then applied to determine the federal share of FC collections, which resulted in a forecast of \$14,904,000.

FUNDING:

This premise identifies the Title IV-E funds as remitted to the CSCRF.

CHANGE FROM NOVEMBER:

For SFY 2005-06 and SFY 2006-07, the offset decreased slightly as a result of updating assistance collections and the percentage of federally eligible foster care collections.

REASON FOR YEAR-TO-YEAR CHANGE:

The slight decrease in SFY 2006-07 reflects the forecasted decrease in FC collections.

REVENUES:

(in 000's)

	2005-06	2006-07
	<u>Revenues</u>	<u>Revenues</u>
Total	-\$14,879	\$-14,904
Federal	-14,879	-14,904
State	0	0
County	0	0
Reimbursements	0	0

Transitional Arrearage Revenue

DESCRIPTION:

As counties transition to the State Disbursement Unit (SDU), the timeliness of recording child support payments will be affected. The Code of Federal Regulations (CFR) requires the use of the date of receipt by the SDU for non-employer withheld payments. DCSS has elected to use date of receipt as the legal date of collection for all payments, including employer withheld payments. This will enable the SDU to automate the receipt processing of collections and will result in a consistent and efficient application of payments throughout the state.

Changing the legal date of collection from date of withholding to date of receipt creates an arrearage for cases where the withholding occurred in one month and the date of receipt occurred in the following month. To mitigate the impact of transitional arrearage in these cases, the department will pay the transitional arrearage in the month it is withheld and record the payment in the month the payment is received by the SDU. At the end of the child support obligation, the last payment will be used to pay back the transitional payment.

IMPLEMENTATION DATE:

This will be implemented in SFY 2006-07.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: CFR, Section 302.51 (4)(i) and (ii).
- The child support payment data is based on a query of CASES and ARS systems which report the number of cases where a non-custodial parent is paid monthly. For these cases, the change to date of SDU receipt can create an arrearage.
- It is assumed that half of the transitional payments will be paid back over an average of 15 years.
- It is assumed that in the first year, the state would receive six months of repayments.

METHODOLOGY:

- Based on a query of CASES and ARS systems, 90,000 non-custodial parents and \$23 million of child support payments would be impacted by the change of legal date of collection resulting in arrearages. The State will pay the arrearage amount of child support withheld in the month of transition and record the payment in the month the payment is received by the SDU.

METHODOLOGY (continued):

- The total amount of transitional payments of \$23 million was multiplied by 50 percent since we are assuming that half, or \$11.5 million will be paid back.
- \$11.5 million of pay back dollars was divided by 15 years to estimate the amount paid back annually of \$767,000.
- The annual pay back of \$767,000 was multiplied by 50 percent to calculate \$384,000 estimated revenue during the first year of repayment.

FUNDING:

- The transitional arrearage revenue is 100 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2006-07, this is a new premise.

REASON FOR YEAR-TO-YEAR- CHANGE:

This premise begins in SFY 2006-07.

REVENUES:

(in 000's)

	2005-06	2006-07
	<u>Revenues</u>	<u>Revenues</u>
Total	\$0	\$384
Federal	0	0
State	0	384
County	0	0
Reimbursements	0	0

Appendix A

Federal Medical Assistance Percentage (FMAP)

The assistance collections are shared based on the Federal Medical Assistance Percentage (FMAP) and the nonfederal sharing ratios. These percentages are reflected below:

<u>ASSISTANCE:</u>	July 2005 – June 2007	<u>ASSISTANCE:</u> <u>Nonfederal</u>	July 2005 – June 2007
Federal	50.00%	State	95.00%
State	47.50%	County	5.00%
County	2.50%		
 <u>FOSTER CARE:</u>	 July 2005 – June 2007	 <u>FOSTER CARE:</u> <u>Nonfederal</u>	 July 2005 – June 2007
Federal	50.00%	State	40.00%
State	20.00%	County	60.00%
County	30.00%		
 <u>KinGAP:</u>	 July 2005 – July 2007	 <u>KinGAP:</u> <u>Nonfederal</u>	 July 2005 – June 2007
Federal	50.00%	State	50.00%
State	25.00%	County	50.00%
County	25.00%		

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Appendix B - List of Acronyms

AB	Assembly Bill	FMAP	Federal Medical Assistance Percentage
ACF	Administration for Children and Families	FSR	Feasibility Study Report
APDU	Advance Planning Document Update	FTB	Franchise Tax Board
ARS	ACES Replacement System	IBM	International Business Machines, Inc.
BP	Business Partner	I-COAP	Interim – Compromise of Arrears Program
CalWORKs	California Work Opportunity and Responsibility to Kids	IDB	Integrated Data Base
CASES	Computer Assisted Support Enforcement System	KIDZ	Not an acronym. It refers to the child support system used by Kern County.
CBO	Community Based Organization	LCSA	Local Child Support Agency
CCSAS	California Child Support Automation System	NCP	Non-Custodial Parent
CCSAS - CSE	Child Support Enforcement	OCSE	Office of Child Support Enforcement
CCSAS - SDU	State Disbursement Unit	OMB	Office of Management and Budget
CDSS	California Department of Social Services	PL	Public Law
CIIP	California Insurance Intercept Project	PRISM	Pre-Statewide Interim Systems Management
COAP	Compromise of Arrears Program	PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
CSCRF	Child Support Collections Recovery Fund	SB	Senate Bill
DCSS	Department of Child Support Services	SFY	State Fiscal Year
DRA	Data Reliability Audit	SGF	State General Fund
EAW	Economic Analysis Worksheet	SME	Subject Matter Expert
EDP M&O	Electronic Data Processing Maintenance and Operations	SP	Service Provider
FC	Family Code	SPR	Special Project Report
FC	Foster Care	STAR/KIDS	Support Through Automated Resources/Keeping Integrated Data on System
FFP	Federal Financial Participation	TANF/MOE	Temporary Assistance for Needy Families/Maintenance of Effort
FFY	Federal Fiscal Year	UIB	Unemployment Insurance Benefits
FIDM	Financial Institution Data Match	W & I Code	Welfare and Institutions Code

Non IV-D Child Support Collections

DESCRIPTION:

Pursuant to Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires that DCSS establish and operate a SDU for the collection and disbursement of payments under orders in IV-D cases and in Non IV-D cases for which the support order was initially issued on or after January 1, 1994, and in which the income of the noncustodial parent is subject to withholding.

This premise reflects the estimated Non IV-D child support collections collected through the CCSAS-SDU. Non IV-D child support collections are cases that are not being served by the LCSAs. Also, these are cases with court ordered wage assignments, which are currently paid directly to the family, but will be processed through the SDU.

IMPLEMENTATION DATE:

This premise will be implemented as part of the CCSAS–SDU, effective July 2006.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 10080, Family Code Section 17309, and Code of Civil Procedure Section 706.030 (6).
- It is assumed that Non IV-D child support collections collected through court ordered wage withholding orders will be processed through the SDU and distributed to the families.
- This estimate uses the estimated average collection per payment established in the SDU Request for Proposal Transaction Volume Estimate, dated October 20, 2003. The SDU transaction volume estimate used survey data from 17 states and gathered payment data from California LCSA volumes.
- The number of payments (disbursement volumes) is based on the SDU SPR #2, dated March 20, 2006. It assumes implementation of Non IV-D collections to begin August 2006.

METHODOLOGY:

- For SFY 2005-06, SDU SPR #2 reflected a change in the beginning date of Non IV-D payments from May 2006 to August 2006. Therefore, Non IV-D collections will not be received in SFY 2005-06.

METHODOLOGY (continued):

- For SFY 2006-07, the number of payments estimated in the SDU SPR #2 is 3,129,019. This was multiplied by \$316.24 which is the estimated average collection per payment developed in the SDU Request for Proposal Transaction Volume Estimate. The calculated Non IV-D collections are \$989,521,000 which represents a year of collections.

FUNDING:

- Non IV-D collections are distributed 100 percent to the families.

CHANGE FROM NOVEMBER:

For SFY 2005-06, because of the change in the start date of processing payments through the SDU, no collections will be received.

For SFY 2006-07, implementation will be phased-in beginning August 2006.

REASON FOR YEAR-TO-YEAR CHANGE:

SFY 2005-06 reflects no implementation of Non IV-D and SFY 2006-07 reflects the change in the implementation start date.

COLLECTIONS:

(in 000's)

	2005-06	2006-07
	<u>Collections</u>	<u>Collections</u>
Total	\$0	\$989,521
Federal	0	0
State	0	0
County	0	0
Other	0	989,521

TABLE COMPARISON
Non IV-D CHILD SUPPORT COLLECTIONS 1/
(in thousands)

		2005-06 MAY REVISE					2005-06 APPROPRIATION					DIFFERENCES				
		Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/
2005-06 MAY REVISE TO 2005-06 APPROPRIATION																
1	Non IV-D CHILD SUPPORT COLLECTIONS	0	0	0	0	0	346,107	0	0	0	346,107	-346,107	0	0	0	-346,107
		2005-06 MAY REVISE					2005-06 NOVEMBER ESTIMATE					DIFFERENCES				
		Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/
2005-06 MAY REVISE TO 2005-06 NOVEMBER ESTIMATE																
2	Non IV-D CHILD SUPPORT COLLECTIONS	0	0	0	0	0	161,116	0	0	0	161,116	-161,116	0	0	0	-161,116
		2006-07 MAY REVISE					2005-06 MAY REVISE					DIFFERENCES				
		Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/
2006-07 MAY REVISE TO 2005-06 MAY REVISE																
3	Non IV-D CHILD SUPPORT COLLECTIONS	989,521	0	0	0	989,521	0	0	0	0	0	989,521	0	0	0	989,521
		2006-07 MAY REVISE					2006-07 GOVERNOR'S BUDGET					DIFFERENCES				
		Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/
2006-07 MAY REVISE TO 2006-07 GOVERNOR'S BUDGET																
4	Non IV-D CHILD SUPPORT COLLECTIONS	989,521	0	0	0	989,521	2,158,955	0	0	0	2,158,955	-1,169,434	0	0	0	-1,169,434

1/ Non IV-D Child Support Collections are from court ordered wage assignment cases paid to the families, which are not handled through the local child support agencies but rather through the State Disbursement Unit.

2/ Other reflects collections that are paid to families.